

KHAI-MA

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2015

KHAI-MA MUNICIPALITY

Index

Contents	Page
General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes In Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Position	8
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Performance	9
Statement of Comparison of Budget and Actual Amounts - Cash Flow Statement	10
Accounting Policies	11 - 47
Notes to the Financial Statements	48 - 92

APPENDICES

A Schedule of External Loans	93
B Segmental Statement of Financial Performance - GFS Classifications	94
Segmental Analysis of Property, Plant and Equipment - GFS	
C Classifications	95
D Segmental Statement of Financial Performance - Municipal Votes	96
Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA,	
E 56 of 2003	97

KHAI-MA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

Khai-Ma Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Khai-Ma Municipality includes the areas of Pofadder, Aggeneys, Pella, Witbank and Onseepkans.

MUNICIPAL MANAGER

OJ Isaacs

CHIEF FINANCIAL OFFICER

PJ van der Merwe

REGISTERED OFFICE

P.O. Box 108
Pofadder
8890

AUDITORS

The Auditor-General
Private Bag X5013
Kimberley
8300

PRINCIPLE BANKERS

The Standard Bank of S.A. Ltd

ATTORNEYS

Van der Merwe/Miller Ing.

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations

KHAI-MA MUNICIPALITY

MEMBERS OF THE KHAI-MA MUNICIPALITY

WARD	COUNCILLOR
1	AJ Josop (Mayor)
2	HJ Raman
3	PA van Heerden
4	ST Basson
Proportional	LH van Rooi
Proportional	SM Magerman
Proportional	S April

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 89 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

OJ Isaacs
Municipal Manager

Date

KHAI-MA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 R	2014 R
NET ASSETS AND LIABILITIES			
Net Assets		92 032 513	80 902 023
Housing Development Fund	2	16 155	16 155
Revaluation Reserve	2	29 969 903	30 195 402
Accumulated Surplus/(Deficit)		62 046 455	50 690 467
Non-Current Liabilities		8 177 586	7 134 752
Long-term Liabilities	3	-	10 544
Non-current Provisions	4	3 341 830	2 228 825
Non-current Employee Benefits	5	4 835 757	4 895 384
Current Liabilities		17 961 685	20 329 333
Consumer Deposits	6	86 586	77 410
Current Employee Benefits	7	1 335 685	1 249 984
Payables from exchange transactions	8	12 520 833	9 658 833
Unspent Conditional Government Grants and Receipts	9	4 008 038	9 319 657
Current Portion of Long-term Liabilities	3	10 544	23 450
Total Net Assets and Liabilities		118 171 784	108 366 108
ASSETS			
Non-Current Assets		110 910 020	93 740 645
Property, Plant and Equipment	12	109 255 463	93 209 087
Investment Property	13	1 494 888	306 230
Intangible Assets	14	159 669	225 327
Current Assets		7 261 764	14 625 464
Inventory	15	572 546	1 614 049
Receivables from exchange transactions	16	1 738 878	2 154 120
Receivables from non-exchange transactions	17	1 948 777	1 665 586
Unpaid Conditional Government Grants and Receipts	9	-	-
Taxes	10.3	2 211 192	1 371 495
Cash and Cash Equivalents	19.1	790 370	7 820 213
Total Assets		118 171 784	108 366 108

KHAI-MA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 R	2014 R
REVENUE			
Revenue from Non-exchange Transactions		39 610 398	27 231 410
Taxation Revenue		3 000 272	2 810 414
Property Rates	20	3 000 272	2 810 414
Transfer Revenue		35 267 743	22 486 904
Government Grants and Subsidies - Capital	21	15 571 249	10 837 450
Government Grants and Subsidies - Operating	21	19 696 494	11 649 454
Other Revenue		1 342 383	1 934 093
Fines		2 800	3 050
Actuarial Gains	5	652 251	-
Other	25	687 332	1 931 043
Revenue from Exchange Transactions		15 449 223	16 616 507
Service Charges	22	13 866 379	12 945 917
Rental of Facilities and Equipment		175 014	170 159
Interest Earned - external investments	23	182 655	366 699
Interest Earned - outstanding receivables	24	857 968	2 734 921
Licences and Permits		22 461	26 787
Income for Agency Services		163 672	134 019
Other Income	25	181 074	238 006
Total Revenue		55 059 621	43 847 918
EXPENDITURE			
Employee related costs	26	(11 771 728)	(11 188 733)
Remuneration of Councillors	27	(1 723 225)	(1 736 146)
Debt Impairment	28	(7 336 829)	(8 933 611)
Depreciation and Amortisation	29	(2 594 695)	(1 920 134)
Repairs and Maintenance	30	(943 161)	(1 258 148)
Actuarial Losses	5	-	(230 769)
Finance Costs	31	(1 268 212)	(812 110)
Bulk Purchases	32	(8 998 924)	(8 116 010)
Contracted Services		(226 223)	(289 230)
Grants and Subsidies Paid		(359 400)	(358 451)
Other Operating Grant Expenditure	33	(2 089 647)	(2 333 275)
General Expenses	34	(6 483 210)	(2 633 880)
Total Expenditure		(43 795 254)	(39 810 498)
Operating Surplus for the Year		11 264 367	4 037 420
Gains/(Loss) on Sale of Assets	35	92 521	(33 843)
(Impairment loss)/Reversal of impairment loss	36	(900)	(10 527 291)
NET SURPLUS/(DEFICIT) FOR THE YEAR		11 355 988	(6 523 714)

KHAI-MA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Housing Development Fund	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 July 2013	15 419	3 798 735	55 031 661	58 845 815
Correction of Error - note 37.7	-	-	1 787 230	1 787 230
Restated balance	15 419	3 798 735	56 818 891	60 633 045
Net Surplus/(Deficit) for the year	-	-	(6 523 714)	(6 523 714)
Net Surplus/(Deficit) previously reported	-	-	(5 614 620)	(5 614 620)
Effects of Correction of Errors - note 37.8	-	-	(909 095)	(909 095)
Transfer to Housing Development Fund	736	-	(736)	-
Revaluation	-	26 792 692	-	26 792 692
Impairment of Revaluation Assets	-	(147 987)	147 987	-
Offsetting of depreciation	-	(248 038)	248 038	-
Restated balance at 30 June 2014	16 155	30 195 402	50 690 466	80 902 024
Net Surplus/(Deficit) for the year	-	-	11 355 988	11 355 988
Offsetting of depreciation	-	(225 499)	-	(225 499)
Balance at 30 June 2015	16 155	29 969 903	62 046 455	92 032 513

KHAI-MA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 R	2014 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Ratepayers and other		10 519 841	9 992 020
Grants		29 956 123	37 715 755
Investment Income		182 655	366 699
Other receipts		1 232 353	2 503 064
Cash payments			
Employee costs		(13 261 172)	(12 675 210)
Suppliers		(17 456 608)	(25 852 195)
Finance costs		(563 119)	(266 461)
Net Cash from Operating Activities	38	10 610 073	11 783 671
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(17 619 402)	(11 400 807)
Proceeds on Disposal of Fixed Assets		-	1 237 047
Purchase of Intangible Assets		(6 240)	(22 920)
Purchase of Investment Properties		-	(174 540)
Net Cash from Investing Activities		(17 625 642)	(10 361 220)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		-	-
Loans repaid		(23 450)	(21 051)
Increase/(Decrease) in Consumer Deposits		9 176	14 525
Net Cash from Financing Activities		(14 274)	(6 526)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(7 029 843)	1 415 925
Cash and Cash Equivalents at the beginning of the year		7 820 213	6 404 287
Cash and Cash Equivalents at the end of the year	39	790 370	7 820 213
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(7 029 843)	1 415 926

KHAI-MA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget								
								(i.t.o. s28 and s31 of the MFMA)								
								R	R							
ASSETS																
Current Assets																
Cash	2 100 000	(527 630)	1 572 370	-	-	1 572 370	224 817	-85.70%								
Call Investment Deposits	200 000	-	200 000	-	-	200 000	565 553	182.78%								
Consumer Debtors	7 679 486	(7 148 121)	531 365	-	-	531 365	1 828 309	244.08%								
Other Debtors	557 121	1 045 338	1 602 459	-	-	1 602 459	4 070 538	154.02%								
Current Portion of long-term receivables	-	-	-	-	-	-	-	-								
Inventory	1 941 663	(232 385)	1 709 278	-	-	1 709 278	572 546	-66.50%								
Total Current Assets	43.2.1	12 478 270	(6 862 798)	5 615 472	-	-	5 615 472	7 261 764	29.32%							
Non-Current Assets																
Long-term receivables	-	-	-	-	-	-	-	-								
Investments	-	-	-	-	-	-	-	-								
Investment Property	69 371	236 859	306 230	-	-	306 230	1 494 888	388.16%								
Investment in Associates	-	-	-	-	-	-	-	-								
Property, Plant and Equipment	110 532 766	(612 304)	109 920 462	-	-	109 920 462	109 255 463	-0.60%								
Agricultural Assets	-	-	-	-	-	-	-	-								
Biological Assets	-	-	-	-	-	-	-	-								
Intangible Assets	156 077	69 250	225 327	-	-	225 327	159 669	-29.14%								
Other Non-Current Assets	-	-	-	-	-	-	-	-								
Total Non-Current Assets	43.2.2	110 758 214	(306 195)	110 452 019	-	-	110 452 019	110 910 020	0.41%							
TOTAL ASSETS		123 236 484	(7 168 993)	116 067 491	-	-	116 067 491	118 171 784	1.81%							
LIABILITIES																
Current Liabilities																
Bank Overdraft	-	-	-	-	-	-	-	-								
Borrowing	-	-	-	-	-	-	-	0								
Consumer Deposits	77 258	-	77 258	-	-	77 258	86 586	12.07%								
Trade and Other Payables	12 253 990	(3 386 388)	8 867 602	-	-	8 867 602	16 528 870	86.40%								
Provisions	1 189 317	-	1 189 317	-	-	1 189 317	1 335 685	12.31%								
Total Current Liabilities	43.2.3	13 520 566	(3 386 388)	10 134 178	-	-	10 134 178	17 951 141	77.13%							
Non-Current Liabilities																
Borrowing	1 065 569	(1 055 026)	10 543	-	-	10 543	10 544	0.00%								
Provisions	8 900 062	(195 789)	8 704 273	-	-	8 704 273	8 177 586	-6.05%								
Total Non-Current Liabilities	43.2.4	9 965 631	(1 250 815)	8 714 816	-	-	8 714 816	8 188 130	-6.04%							
TOTAL LIABILITIES		23 486 197	(4 637 203)	18 848 994	-	-	18 848 994	26 139 271	38.68%							
NET ASSETS																
Accumulated Surplus/(Deficit)	96 205 461	(28 950 483)	67 254 978	-	-	67 254 978	62 046 455	-7.74%								
Reserves	3 544 826	26 418 693	29 963 519	-	-	29 963 519	29 986 058	0.08%								
Minorities' Interests	-	-	-	-	-	-	-	-								
TOTAL NET ASSETS	43.2.5	99 750 287	(2 531 790)	97 218 497	-	-	97 218 497	92 032 513	-5.33%							

KHAI-MA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget			Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by law)	Final Budget	Actual Outcome as % of Final Budget				
									2015				
			R	R	R				R	%			
REVENUE													
Property Rates	3 319 410	(319 290)	3 000 120	-	-	3 000 120	3 000 272	3 000 272	3 000 272	0.01%			
Property Rates - Penalties & Collection Charges	100 000	(20 000)	80 000	-	-	80 000	-	-	-	-100.00%			
Service Charges - Electricity Revenue	6 763 170	194 610	6 957 780	-	-	6 957 780	6 237 649	6 237 649	6 237 649	-10.35%			
Service Charges - Water Revenue	6 598 810	(273 910)	6 324 900	-	-	6 324 900	5 910 445	5 910 445	5 910 445	-6.55%			
Service Charges - Sanitation Revenue	1 630 930	(615 930)	1 015 000	-	-	1 015 000	938 694	938 694	938 694	-7.52%			
Service Charges - Refuse Revenue	763 160	-	763 160	-	-	763 160	779 592	779 592	779 592	2.15%			
Service Charges - Other Revenue	47 500	1 000	48 500	-	-	48 500	-	-	-	-100.00%			
Rental of Facilities and Equipment	1 082 500	(960 000)	122 500	-	-	122 500	175 014	175 014	175 014	42.87%			
Interest Earned - External Investments	200 000	-	200 000	-	-	200 000	182 655	182 655	182 655	-8.67%			
Interest Earned - Outstanding Debtors	648 000	-	648 000	-	-	648 000	857 968	857 968	857 968	32.40%			
Dividends Received	-	-	-	-	-	-	-	-	-	-			
Fines	30 000	-	30 000	-	-	30 000	2 800	2 800	2 800	-90.67%			
Licences and Permits	35 550	-	35 550	-	-	35 550	22 461	22 461	22 461	-36.82%			
Agency Services	135 000	-	135 000	-	-	135 000	163 672	163 672	163 672	21.24%			
Transfers Recognised - Operational	23 216 180	1 373 460	24 589 640	-	-	24 589 640	19 696 494	19 696 494	19 696 494	-19.90%			
Other Revenue	3 978 530	4 355 130	8 333 660	-	-	8 333 660	1 520 657	1 520 657	1 520 657	-81.75%			
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	-			
Total Revenue (excluding capital transfers and contributions)	43.2.6	48 548 740	3 735 070	52 283 810	-	52 283 810	39 488 372	39 488 372	-24.47%				
EXPENDITURE													
Employee Related Costs	17 460 980	(1 539 660)	15 921 320	-	-	15 921 320	11 771 728	11 771 728	11 771 728	-26.06%			
Remuneration of Councillors	1 858 090	-	1 858 090	-	-	1 858 090	1 723 225	1 723 225	1 723 225	-7.26%			
Debt Impairment	2 550 000	50 000	2 600 000	-	-	2 600 000	7 336 829	7 336 829	7 336 829	182.19%			
Depreciation and Asset Impairment	2 885 760	(622 300)	2 263 460	-	-	2 263 460	2 595 595	2 595 595	2 595 595	14.67%			
Finance Charges	226 000	150 000	376 000	-	-	376 000	1 268 212	1 268 212	1 268 212	237.29%			
Bulk Purchases	7 327 200	950 000	8 277 200	-	-	8 277 200	8 998 924	8 998 924	8 998 924	8.72%			
Other Materials	1 633 490	237 310	1 870 800	-	-	1 870 800	943 161	943 161	943 161	-49.59%			
Contracted Services	5 000	160 000	165 000	-	-	165 000	226 223	226 223	226 223	37.10%			
Transfers and Grants	-	-	-	-	-	-	-	-	-	-			
Other Expenditure	15 013 280	4 031 810	19 045 090	-	-	19 045 090	8 932 258	8 932 258	8 932 258	-53.10%			
Loss on Disposal of PPE	25 000	-	25 000	-	-	25 000	(92 521)	(92 521)	(92 521)	-470.09%			
Total Expenditure	43.2.7	48 984 800	3 417 160	52 401 960	-	52 401 960	43 703 633	43 703 633	-16.60%				
Surplus/(Deficit)		(436 060)	317 910	(118 150)	-	(118 150)	(4 215 261)	(4 215 261)	3467.72%				
Transfers Recognised - Capital	19 897 440	(845 540)	19 051 900	-	-	19 051 900	15 571 249	15 571 249	15 571 249	-18.27%			
Contributions Recognised - Capital	-	-	-	-	-	-	-	-	-	-			
Contributed Assets	-	-	-	-	-	-	-	-	-	-			
Surplus/(Deficit) after Capital Transfers & Contributions		19 461 380	(527 630)	18 933 750	-	18 933 750	11 355 988	11 355 988	-40.02%				
Taxation	-	-	-	-	-	-	-	-	-	-			
Surplus/(Deficit) after Taxation		19 461 380	(527 630)	18 933 750	-	18 933 750	11 355 988	11 355 988	-40.02%				
Attributable to Minorities	-	-	-	-	-	-	-	-	-	-			
Surplus/(Deficit) Attributable to Municipality		19 461 380	(527 630)	18 933 750	-	18 933 750	11 355 988	11 355 988	-40.02%				
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	-			
Surplus/(Deficit) for the year		19 461 380	(527 630)	18 933 750	-	18 933 750	11 355 988	11 355 988	-40.02%				

KHAI-MA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget		Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
			R	R					
			R	R					
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	20 012 373	1 831 870	21 844 243	-	-	21 844 243	11 752 194	-46.20%	
Government - Operating	17 482 000	1 373 460	18 855 460	-	-	18 855 460	17 787 236	-5.67%	
Government - Capital	16 354 440	(315 800)	16 038 640	-	-	16 038 640	12 168 888	-24.13%	
Interest	200 000	-	200 000	-	-	200 000	182 655	-8.67%	
Dividends	-	-	-	-	-	-	-	-	
Payments									
Suppliers and Employees	(34 192 598)	(2 623 990)	(36 816 589)	-	-	(36 816 589)	(30 717 780)	-16.57%	
Finance Charges	(226 000)	150 000	(76 000)	-	-	(76 000)	(563 119)	640.95%	
Transfers and Grants	-	-	-	-	-	-	-	-	
Net Cash from/(used) Operating Activities	43.2.8	19 630 214	415 540	20 045 754	-	-	20 045 754	10 610 073	-47.07%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	-	-	
Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	-	-	
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	-	
Payments									
Capital Assets	(19 987 440)	(415 540)	(20 402 980)	-	-	(20 402 980)	(17 625 642)	-13.61%	
Net Cash from/(used) Investing Activities	43.2.9	(19 987 440)	(415 540)	(20 402 980)	-	-	(20 402 980)	(17 625 642)	-13.61%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Short Term Loans	-	-	-	-	-	-	-	-	
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	
Increase/(Decrease) in Consumer Deposits	4 373	-	4 373	-	-	4 373	9 176	109.83%	
Payments									
Repayment of Borrowing	(234 431)	-	(234 431)	-	-	(234 431)	(23 450)	-90.00%	
Net Cash from/(used) Financing Activities	43.2.10	(230 058)	-	(230 058)	-	-	(230 058)	(14 274)	-93.80%
NET INCREASE/(DECREASE) IN CASH HELD									
Cash and Cash Equivalents at the year begin:	(587 284)	(0)	(587 284)	-	-	(587 284)	(7 029 843)	1097.01%	
Cash and Cash Equivalents at the year end:	2 887 283	(527 630)	2 359 653	-	-	2 359 653	7 820 213	231.41%	
	2 300 000	(527 630)	1 772 370	-	-	1 772 370	790 370	-55.41%	

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 18 (Original – Feb 2011)	<p><u>Segment Reporting</u></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendixes to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015
GRAP 20 (Original – Jun 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p><u>Transfer of Functions Between Entities Under Common Control</u></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 106 (Original – Nov 2010)	<p><u>Transfer of Functions Between Entities Not Under Common Control</u></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GRAP 107 (Original – Nov 2010)	<p><u>Mergers</u></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has revolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 11	<p><u>Consolidation - Special Purpose Entities (SPE)</u></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	1 April 2015
IGRAP 12	<p><u>Jointly Controlled Entities non-monetary contributions</u></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	1 April 2015
IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
Directive 11	<p><u>Changes in Measurement Bases following Initial Adoption of Standards of GRAP</u></p> <p>This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP.</p> <p>No significant impact is expected as the Municipality has no intention of changing its measurement bases.</p>	1 April 2015

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes both complete and in progress as at 1 April 1998 were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.10. RESERVES

1.10.1. *Revaluation Reserve*

The accounting for the Revaluation Reserve must be performed in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation reserve is realized as revaluated assets are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

1.11. LEASES

1.11.1. *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.11.2. *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.12. BORROWING COST

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.13. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.14. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.15. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.16. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

KHAI-MA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.17. EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

(b) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(c) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(e) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.18. PROPERTY, PLANT AND EQUIPMENT

1.18.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.18.2. *Subsequent Measurement – Revaluation Model*

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.18.3. *Subsequent Measurement – Cost Model*

Subsequent to initial recognition, all other items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.18.4. *Depreciation and Impairment*

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

Land and Buildings **Years**

Land	30-32
Buildings	10-50

Infrastructure

Roads and Streets	7-50
Electricity Mains	12-50
Water Mains and Purification	7-60
Sewerage Mains & Purification	15-60
Security measures	14-20

Community

Recreation Grounds	15-32
Fire, Safety and Emergency	5-10
Libraries	30-35
Clinics and Hospitals	10-49

Finance lease assets

Office equipment	5
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Other

Motor Vehicles	5-15
Office equipment	3-10
Furniture and fittings	15-32
Bins and containers	7
Plant and Equipment	15-20
Landfill sites	7
Emergency equipment	7
Computer equipment	5-7

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.18.5. *De-recognition*

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.6. *Land and Buildings and Other Assets – application of deemed cost (Directive 7)*

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.19. INTANGIBLE ASSETS

1.19.1. *Initial Recognition*

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.19.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.19.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	3-12

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.19.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.20. INVESTMENT PROPERTY

1.20.1. *Initial Recognition*

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.20.2. *Subsequent Measurement – Cost Model*

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.20.3. *Depreciation and Impairment – Cost Model*

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	10-50

1.20.4. *De-recognition*

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.20.5. *Application of deemed cost (Directive 7)*

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1. *Cash generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

KHAI-MA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2. *Non-cash-generating assets*

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23. INVENTORIES

1.23.1. *Initial Recognition*

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.23.2. *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.24. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.24.1. *Initial Recognition*

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.24.2. *Subsequent Measurement*

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.24.2.1. *Receivables*

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.24.2.2. *Payables and Annuity Loans*

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.24.2.3. *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.24.2.4. *Non-Current Investments*

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.24.3. *De-recognition*

1.24.3.1. *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.24.3.2. *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.24.4. *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.25. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Statutory receivables can arise from both exchange and non-exchange transactions.

1.25.1. *Initial Recognition*

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.25.2. *Subsequent Measurement*

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.25.3. *Derecognition*

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

- i. derecognise the receivable; and
- ii. recognise separately any rights and obligations created or retained in the transfer.

1.26. REVENUE

1.26.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.26.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;

KHAI-MA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.27. TRANSFER OF FUNCTIONS (Municipality as acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.28. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.29. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.33. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations

The cost of post-retirement medical obligations is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 5 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding,

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Revenue Recognition

Accounting Policy 1.26.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.26.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

1.34. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

KHAI-MA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.35. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.36. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
2. NET ASSET RESERVES		
RESERVES	29 986 058	30 211 557
Housing Development Fund	16 155	16 155
Revaluation Reserve	29 969 903	30 195 402
Total Net Asset Reserve and Liabilities	29 986 058	30 211 557

2.1 The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. Any surplus/(deficit) on the Housing Department in the Statement of Financial Performance is transferred to the Housing Development Fund.

2.2 The Revaluation Reserve is created by surplus arising from the revaluation of property, plant and equipment.

3. LONG TERM LIABILITIES

Capitalised Lease Liability - At amortised cost	10 544	33 993
Less: Current Portion transferred to Current Liabilities	10 544	33 993
Capitalised Lease Liability - At amortised cost	(10 544)	(23 450)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	(10 544)	(23 450)
	-	10 544

3.1 The obligations under finance leases are scheduled below:

Amounts payable under finance leases:	2015 R	2014 R	Minimum payments
Payable within one year	10 830	25 992	
Payable within two to five years	-	10 830	
Payable after five years	-	-	
	10 830	36 822	
Less: Future finance obligations	(286)	(2 829)	
Present value of finance lease obligations	10 544	33 993	

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Nashua	MP 2851 Copier	10.72%	0%	5 Years	30/11/2016
Nashua	MP 2000 Copier	11.02%	0%	5 Years	30/11/2016

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Leases are secured by property, plant and equipment - Note 12

4. NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	3 341 830	3 204 897
Correction of Error - Note 37.1	-	(976 072)
Total Non-current Provisions	3 341 830	2 228 825

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
4.1	<u>Landfill Sites</u>		
Balance 1 July		2 228 825	2 057 127
Contribution for the year		260 548	171 697
Change in Provision for Rehabilitation Cost		852 457	-
Total provision 30 June		3 341 830	2 228 825
Less: Transfer of Current Portion to Current Provisions		-	-
Balance 30 June		3 341 830	2 228 825

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows

	Pofadder	Pella	Witbank	Melkbosrand	Sending/ Viljoensdraai
Area (m ²)	33 285	4 800	1 953	1 600	420
Rehabilitation volume (m ³)	43 680	7 050	3 906	3 200	420
Fence (m)	-	440	240	240	140
Cost of fence (Rand)	-	255 200	139 200	139 200	81 200
Site Clearance (Rand)	-	423 000	23 436	192 000	25 200
Excavation cost (Rand)	-	423 000	23 436	192 000	25 200
Capping (Rand)	931 980	134 400	54 684	44 800	11 760
Environmental impact assessment (Rand)	90 000	180 000	180 000	180 000	180 000
Application for permits	17 500	35 000	35 000	35 000	35 000
Preliminary and general (Rand)	-	217 590	68 363	117 450	53 754
Fees and expenses (Rand)	-	174 383	37 094	82 254	23 654

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated decommission date	2015		2014	
		R	R	R	R
Pofadder	2015	1 039 480		893 383	
Pella	2034	5 552 682		3 808 604	
Witbank	2034	1 691 245		1 577 314	
Melkbosrand	2034	2 961 426		1 535 670	
Sending/ Viljoensdraai	2034	1 313 207		898 326	
		12 558 040		8 713 297	

5. NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits	4 411 721	4 502 945
Provision for Long Service Awards	424 036	-
Correction of Error - Note 37.2	-	392 439
Total Non-current Employee Benefits	4 835 757	4 895 384

Post Retirement Health Care Benefits

Balance 1 July	4 612 385	3 974 524
Contribution for the year	653 374	546 848
Expenditure for the year	(109 440)	(105 029)
Actuarial Loss/(Gain)	(627 514)	196 042
Total provision 30 June	4 528 805	4 612 385
Less: Transfer of Current Portion to Current Provisions - Note 7	(117 084)	(109 440)
Balance 30 June	4 411 721	4 502 945

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<u>Long Service Awards</u>		
Balance 1 July	422 543	321 491
Contribution for the year	88 007	76 636
Expenditure for the year	(30 104)	(10 311)
Actuarial Loss/(Gain)	(24 737)	34 727
Total provision 30 June	455 709	422 543
Less: Transfer of Current Portion to Current Provisions - Note 7	(31 673)	(30 104)
Balance 30 June	424 036	392 439

5.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	11	13
In-service (employee) non-members	44	47
Continuation members (e.g. Retirees, widows, orphans)	4	4
Total Members		
	59	64

The liability in respect of past service has been estimated to be as follows:

In-service members	3 047 282	3 163 252
Continuation members	1 481 523	1 449 133
Total Liability		
	4 528 805	4 612 385

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R	2012 R	2011 R
In-service members	2 492 220	1 852 962	1 384 537
Continuation members	1 481 619	1 940 360	1 688 717
Total Liability			
	3 973 839	3 793 322	3 073 254

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

LA Health
Key Health

The Current-service Cost for the ensuing year is estimated to be R241 349, whereas the Interest Cost for the next year is estimated to be R412 025.

	2015 %	2014 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate (based on market yields on government bonds)	9.00%	9.04%
Health Care Cost Inflation Rate	8.13%	8.19%
Net Effective Discount Rate	0.80%	0.78%
ii) Mortality rates		

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63 for males and 58 for females, which then implicitly allows for expected rates of early and ill-health retirement.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

iv) Expected rate of salary increases

2015/2016 - 7%

2016/2017 - CPI + 1%

	2015 R	2014 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4 528 805	4 612 385
Fair value of plan assets	-	-
	<hr/> 4 528 805	<hr/> 4 612 385
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
	<hr/> 4 528 805	<hr/> 4 612 385
Net liability/(asset)	<u>4 528 805</u>	<u>4 612 385</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	4 612 385	3 974 524
Total expenses	543 934	441 819
Current service cost	241 349	194 895
Interest Cost	412 025	351 953
Benefits Paid	(109 440)	(105 029)
Actuarial (gains)/losses	(627 514)	196 042
Present value of fund obligation at the end of the year	<hr/> 4 528 805	<hr/> 4 612 385

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	<hr/> -	<hr/> -

Sensitivity Analysis on the Accrued Liability

Assumption		In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
		3.047	1.482	4.529	
Central Assumptions					
Health care inflation	1%	3.624	1.633	5.256	16%
Health care inflation	-1%	2.585	1.351	3.936	-13%
Post-retirement mortality	-1 year	3.154	1.544	4.698	4%
Average retirement age	-1 year	3.274	1.482	4.756	5%
Withdrawal Rate	-50%	2.508	1.482	3.989	-12%

Sensitivity Analysis on Current Service Cost and Interest Cost for the year ending 30 June 2016

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Assumption	Change	Current	Interest Cost	Total (R)	% change
		Service Cost (R)	(R)		
Health care inflation	1%	296 800	467 700	764 500	19%
Health care inflation	-1%	198 100	348 900	547 000	-15%
Post-retirement mortality	-1 year	249 700	417 500	667 200	4%
Average retirement age	-1 year	244 300	422 600	666 900	4%
Withdrawal Rate	-50%	179 100	353 700	532 800	-17%

2015
Rm

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	(0.628)	(0.046)
Assets: Gain / (loss)	-	-

The adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 Rm	2012 Rm	2011 Rm
Liabilities: (Gain) / loss	0.014	0.253	0.386
Assets: Gain / (loss)	-	-	-

5.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 54 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R60 788 whereas the Interest Cost for the next year is estimated to be R35 380.

Key actuarial assumptions used:	2015 %	2014 %
	R	R
i) Rate of interest		
Discount rate	8.04%	8.11%
General Salary Inflation (long-term)	7.08%	7.19%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.90%	0.85%
	2015 R	2014 R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	455 709	422 543
Fair value of plan assets	-	-
	455 709	422 543
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
Net liability/(asset)	455 709	422 543

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	422 543	321 491
Total expenses	57 903	66 325
Current service cost	55 488	52 507
Interest Cost	32 519	24 129
Benefits Paid	(30 104)	(10 311)
Actuarial (gains)/losses	(24 737)	34 727
Present value of fund obligation at the end of the year	455 709	422 543

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Reconciliation of fair value of plan assets:		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contribution: Employer	-	-
Contribution: Employee	-	-
Past service costs	-	-
Actuarial (gains)/losses	-	-
Benefits paid	-	-
 Fair value of plan assets at the end of the year	 -	 -
	 =====	 =====

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		0.456	
General salary inflation	1%	0.486	7%
General salary inflation	-1%	0.428	-6%
Average retirement age	-2 yrs	0.418	-8%
Average retirement age	2 yrs	0.489	7%
Withdrawal rates	-50%	0.563	23%

	2015 R	2014 R
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	(24 737)	34 727
Assets: Gain / (loss)	-	-

The municipality performed their first actuarial valuation on 30 June 2015. Thus there are no experience adjustment figures available on or before 30 June 2013 to fully comply with GRAP 25.

5.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT PENSION FUND

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund has a funding level of 101,7% (30 June 2013 - 99,2%).

Contributions paid recognised in the Statement of Financial Performance	213 157	173 065
<hr/>		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

National fund for Municipal Workers	22 969	43 018
SAMWU National Provident Fund	264 561	274 701
	<hr/> 287 530	<hr/> 317 719

6. CONSUMER DEPOSITS

Water and Electricity	86 586	77 410
Total Consumer Deposits	86 586	77 410
	<hr/> 86 586	<hr/> 77 410

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Consumer deposits are paid by consumers on application for new and electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

7. CURRENT EMPLOYEE BENEFITS

Staff Bonuses	246 205	255 200
Staff Leave	940 723	855 239
Current Portion of Non-Current Employee Benefits	148 757	139 544
	<hr/>	<hr/>
Current Portion of Post Retirement Benefits - Note 5	117 084	109 440
Current Portion of Long-Service Provisions - Note 5	31 673	30 104
Total Provisions	1 335 685	1 249 984
	<hr/> 1 335 685	<hr/> 1 249 984

The movement in current provisions are reconciled as follows:

7.1 Staff Bonuses

Balance at beginning of year	255 200	240 264
Contribution to current portion	541 815	512 083
Expenditure incurred	(550 810)	(497 146)
Balance at end of year	246 205	255 200

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

7.2 Staff Leave

Balance at beginning of year	855 239	752 568
Contribution to current portion	172 476	139 322
Expenditure incurred	(86 992)	(36 651)
Balance at end of year	940 723	855 239

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
8. PAYABLES FROM EXCHANGE TRANSACTIONS		
Payments received in advance	91 099	100 465
Retention	924 857	886 349
Other Creditors	11 504 877	7 386 747
Correction of Error - Note 37.3	-	1 285 271
Total Trade Payables	12 520 833	9 658 833

Payables are being recognised net of any discounts.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	4 008 038	9 319 657
National Government Grants	3 739 667	9 051 416
Provincial Government Grants	85 116	1 352 221
District Municipality	94 234	94 234
Other Sources	89 021	63 785
Correction of Error - Note 37.3	(1 241 998)	
Less: Unpaid Conditional Government Grants and Receipts	-	-
National Government Grants	-	(220 822)
Correction of Error - Note 37.6	-	415 190
Provincial Government Grants	-	(194 368)
Total Conditional Grants and Receipts	4 008 038	9 319 657

See appendix "E" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

10. TAXES

10.1	VAT Payable	(8 896)	(5 673)
	VAT output in suspense	(2 967 391)	(2 286 763)
	Less: Contribution to provision for impairment of trade receivables from exchange transactions	3 320 872	2 455 522
	Total VAT Payable	344 585	163 086
10.2	VAT Receivable	793 314	450 488
	VAT input in suspense	1 073 293	757 921
	Total VAT Receivable	1 866 607	1 208 409
10.3	Total Net VAT Receivable/(Payable)	2 211 192	1 371 495

VAT is receivable/payable on the cash basis.

11. SHORT-TERM LOANS

The Municipality has no short term loans.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

12. PROPERTY, PLANT AND EQUIPMENT

See attached sheet

page 1

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

page 2

page 3

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

12.3 Assets pledged as security:

Leased Property, Plant and Equipment of R8 332 (2014: R28 330) is secured for leases as set out in Note 3.

12.4 Details of Valuation

Land and Buildings were revalued on 1 July 2013 by an independent valuer, DDP Valuations. Fair values were determined by reference to observable prices in the active market or recent market transactions on arm's length transactions. Land and Buildings are revalued every 5 years.

The book value of Property, Plant and Equipment would have been R80 771 296 (2014: R66 127 281), if no revaluation took place.

Reconciliation of revaluation surplus:

Opening balance	30 195 402	3 798 735
Movement for the period	(225 499)	26 396 667
Closing balance	29 969 903	30 195 402

13. INVESTMENT PROPERTY

Net Carrying amount at 1 July	306 230	146 138
Cost	319 145	160 405
Accumulated Depreciation	(12 915)	(14 267)
Transfer from/(to) Property, Plant and Equipment	-	(13 013)
Cost	-	(15 800)
Accumulated Depreciation	-	2 787
Transfer from/(to) Inventory - Note 15	1 194 350	-
Cost	1 194 350	-
Accumulated Depreciation	-	-
Acquisitions	-	174 540
Depreciation for the year	(5 692)	(1 435)
Net Carrying amount at 30 June	1 494 888	306 230
Cost	1 513 495	319 145
Accumulated Depreciation	(18 607)	(12 915)
Accumulated Impairment Loss	-	-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

14. INTANGIBLE ASSETS

Net Carrying amount at 1 July	225 327	274 092
Cost	492 194	476 108
Accumulated Amortisation	(266 867)	(202 016)
Accumulated Impairment Loss	-	-
Acquisitions	6 240	22 920
Amortisation	(71 898)	(68 776)
Disposals	-	(6 834)
Amortisation written back on disposal	-	3 925
Net Carrying amount at 30 June	159 669	225 327
Cost	498 434	492 194
Accumulated Amortisation	(338 765)	(266 867)
Accumulated Impairment Loss	-	-

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

	2015 R	2014 R
15. INVENTORY		
Housing - Inventory held for transfer	-	1 195 250
Materials - Pipes	194 606	194 606
Consumable Stores	349 875	198 065
Water - At purification cost	28 066	26 128
Total Inventory	572 546	1 614 049

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

Materials written down due to losses as identified during the annual stores counts:

Materials - Housing Project	900	-
	900	-

No inventory assets were pledged as security for liabilities.

16. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	1 349 641	1 045 385
Water	21 937 894	18 955 985
Refuse	2 770 368	2 289 560
Sewerage	2 991 120	2 488 168
Recognition - Water debt	357 599	267 140
Recognition - Electricity debt	116 367	158 853
Recognition - Sewerage debt	4 301	3 315
Other Arrears	490 869	448 400
Total: Receivables from exchange transactions (before provision)	30 018 159	25 656 805
Less: Provision for Debt Impairment	(28 279 281)	(23 502 685)
Total: Receivables from exchange transactions (after provision)	1 738 878	2 154 120

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

(Electricity): Ageing

Current (0 - 30 days)	266 545	334 011
31 - 60 Days	97 307	82 599
61 - 90 Days	82 566	78 750
+ 90 Days	903 223	550 025
Total	1 349 641	1 045 385

(Water): Ageing

Current (0 - 30 days)	623 053	530 519
31 - 60 Days	463 622	520 348
61 - 90 Days	502 794	429 626
+ 90 Days	20 348 425	17 475 493
Total	21 937 894	18 955 985

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	78 528	63 229
31 - 60 Days	57 394	45 082
61 - 90 Days	53 903	42 799
+ 90 Days	2 580 542	2 138 450
Total	2 770 368	2 289 560

(Sewerage): Ageing

Current (0 - 30 days)	96 498	82 912
31 - 60 Days	67 959	56 450
61 - 90 Days	62 029	53 569
+ 90 Days	2 764 634	2 295 236
Total	2 991 120	2 488 168

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
30 June 2015				
Current (0 - 30 days)	1 935 924	155 709	24 836	2 116 470
31 - 60 Days	614 230	55 602	12 738	682 570
61 - 90 Days	643 159	41 800	11 798	696 757
+ 90 Days	25 988 646	468 849	64 867	26 522 363
Sub-total	29 181 960	721 960	114 239	30 018 159
Less: Provision for Debt Impairment				(28 279 281)
Total debtors by customer classification				1 738 878

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
30 June 2014				
Current (0 - 30 days)	1 461 993	242 018	26 981	1 730 992
31 - 60 Days	638 584	61 658	10 982	711 223
61 - 90 Days	533 746	68 366	7 053	609 165
+ 90 Days	22 147 405	388 327	69 693	22 605 425
Sub-total	24 781 728	760 369	114 709	25 656 805
Less: Provision for Debt Impairment				(23 502 685)
Total debtors by customer classification				2 154 120

	2015 R	2014 R
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	23 502 685	13 871 490
Contribution to provision	6 181 068	8 699 300
VAT on provision	865 350	937 183
Bad Debts written off against provision	(2 269 822)	(5 287)
Reversal of provision	-	-
Balance at end of year	28 279 281	23 502 685

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

	2015 R	2014 R
17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	2 684 135	2 193 773
Other Receivables	1 778 160	561 092
Irregular, Fruitless and Wasteful Expenditure - Receivables	-	32 917
Suspense Accounts	81 186	130 741
Correction of Error - Note 37.6	-	186 004
	<hr/>	<hr/>
<u>Less:</u> Provision for Debt Impairment	4 543 481	3 104 529
Total Receivables from non-exchange transactions	<u>1 948 777</u>	<u>1 665 586</u>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

(Rates): Ageing

Current (0 - 30 days)	71 117	115 051
31 - 60 Days	32 415	30 981
61 - 90 Days	40 516	29 071
+ 90 Days	2 540 086	2 018 670
Total	<u>2 684 135</u>	<u>2 193 773</u>

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
30 June 2015				
Current (0 - 30 days)	61 547	9 526	44	71 117
31 - 60 Days	29 416	2 955	44	32 415
61 - 90 Days	37 540	2 932	44	40 516
+ 90 Days	2 449 142	83 481	7 464	2 540 086
Sub-total	<u>2 577 645</u>	<u>98 893</u>	<u>7 596</u>	<u>2 684 135</u>
<u>Less:</u> Provision for Debt Impairment				<u>(2 594 703)</u>
Total debtors by customer classification				<u>89 431</u>

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
30 June 2014				
Current (0 - 30 days)	103 570	11 449	32	115 051
31 - 60 Days	25 901	5 045	35	30 981
61 - 90 Days	24 618	4 418	35	29 071
+ 90 Days	1 989 209	25 182	4 279	2 018 670
Sub-total	<u>2 143 298</u>	<u>46 093</u>	<u>4 382</u>	<u>2 193 773</u>
<u>Less:</u> Provision for Debt Impairment				<u>(1 438 942)</u>
Total debtors by customer classification				<u>754 831</u>

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	1 438 942	1 289 313
Contribution to provision	1 155 761	234 311
Bad Debts written off against provision	-	(3 339)
Reversal of provision	-	(81 343)
Balance at end of year	2 594 703	1 438 942

The total amount of this provision is R2 594 703 and consist of:

Taxes	2 594 703	1 438 942
Other	-	-
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	2 594 703	1 438 942

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

18. OPERATING LEASE ARRANGEMENTS

18.1 The Municipality as Lessor

Operating Lease Asset

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	153 110	146 577
1 to 5 Years	104 246	234 277
More than 5 Years	84 209	-
Total Operating Lease Arrangements	341 565	380 854

This operating lease expenditure determined from contracts that have a specific condition expenditure and does not include leases which has a undetermined conditional expenditure.

The leases are in respect of land and buildings being leased out for previous ranging until 2016.

19. BANK ACCOUNTS

19.1 Cash and Cash Equivalents

Current Accounts	224 717	12 851
Call Investments Deposits	565 553	7 807 262
Cash Floats	100	100
Total Cash and Cash Equivalents - Assets	790 370	7 820 213

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R165 553 are held to fund the Unspent Conditional Grants (2014: R7 607 262).

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

The municipality has the following bank accounts:

Current Accounts

Standard Bank Limited – Account Number 04 185 0173 (Primary Bank Account)	224 717	12 851
	224 717	12 851

The Municipality has a bank overdraft facility of R700,000.

R200,000 of the call account balance is pledged as security for the overdraft facility.

Call Investment Deposits

Standard Bank Limited - (Water Supply Pofadder (007)):	6 750	6 750
Standard Bank Limited - (Housing fund (007)):	15 309	15 309
Standard Bank Limited - (LGSETA (007)):	33 392	33 392
Standard Bank Limited - (General Deposit):	400 000	200 000
Standard Bank Limited - (Build of 184 Houses (017)):	173	897 759
Standard Bank Limited - (Municipal Infrastructure Grant (015)):	1 521	2 788 414
Standard Bank - (DOE - Upgrading of Electricity):	235 321	735 321
Standard Bank Limited - (DME: Electricity Efficiency Demand Side Management):	-	2 757 230
Standard Bank Limited - (Municipal Systems Improvement Grant):	(186 962)	313 038
Standard Bank Limited - (EPWP - Brick Making Project):	60 050	60 050
	565 553	7 807 262

Details of current account is as follow:

Standard Bank Limited – Account Number 04 185 0173 (Primary Bank Account)

Cash book balance at beginning of year	12 851	37 283
Cash book balance at end of year	224 717	12 851
	224 717	12 851
Bank statement balance at beginning of year	35 843	137 562
Bank statement balance at end of year	203 982	35 843

Details of call investment accounts are as follow:

Standard Bank Limited - (Water Supply Pofadder (007)):

Cash book balance at beginning of year	6 750	6 750
Cash book balance at end of year	6 750	6 750
	6 750	6 750
Bank statement balance at beginning of year	6 750	6 750
Bank statement balance at end of year	6 750	6 750

Standard Bank Limited - (Library Account (007)):

Cash book balance at beginning of year	-	63 633
Cash book balance at end of year	-	-
	-	-
Bank statement balance at beginning of year	-	63 633
Bank statement balance at end of year	-	37 872

Standard Bank Limited - (Housing fund (007)):

Cash book balance at beginning of year	15 309	15 309
Cash book balance at end of year	15 309	15 309
	15 309	15 309
Bank statement balance at beginning of year	15 309	15 309
Bank statement balance at end of year	16 155	15 309

Standard Bank Limited - (LGSETA (007)):

Cash book balance at beginning of year	43 121	33 392
Cash book balance at end of year	33 392	33 392
	33 392	33 392
Bank statement balance at beginning of year	33 392	33 392
Bank statement balance at end of year	68 357	43 121

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Standard Bank Limited - (General Deposit):		
Cash book balance at beginning of year	200 000	200 000
Cash book balance at end of year	400 000	200 000
 Bank statement balance at beginning of year		
Bank statement balance at end of year	200 000	200 000
	<u>400 000</u>	<u>200 000</u>
 Standard Bank Limited - (Build of 184 Houses (017)): 		
Cash book balance at beginning of year	897 759	47
Cash book balance at end of year	173	897 759
 Bank statement balance at beginning of year		
Bank statement balance at end of year	1 241 998	47
	<u>(1 365 608)</u>	<u>1 241 998</u>
 Standard Bank Limited - (Municipal Infrastructure Grant (015)): 		
Cash book balance at beginning of year	2 788 414	5 815 769
Cash book balance at end of year	1 521	2 788 414
 Bank statement balance at beginning of year		
Bank statement balance at end of year	5 021 293	5 815 769
	<u>3 076 352</u>	<u>5 021 293</u>
 Standard Bank - (DOE - Upgrading of Electricity): 		
Cash book balance at beginning of year	735 321	232 004
Cash book balance at end of year	235 321	735 321
 Bank statement balance at beginning of year		
Bank statement balance at end of year	797 689	232 004
	<u>-</u>	<u>797 689</u>
 Standard Bank Limited - (DME: Electricity Efficiency Demand Side Management): 		
Cash book balance at beginning of year	2 757 230	-
Cash book balance at end of year	-	2 757 230
 Bank statement balance at beginning of year		
Bank statement balance at end of year	2 757 230	-
	<u>-</u>	<u>2 757 230</u>
 Standard Bank Limited - (Municipal Systems Improvement Grant): 		
Cash book balance at beginning of year	475 204	-
Cash book balance at end of year	(186 962)	313 038
 Bank statement balance at beginning of year		
Bank statement balance at end of year	313 038	-
	<u>663 315</u>	<u>431 418</u>
 Standard Bank Limited - (EPWP - Brick Making Project): 		
Cash book balance at beginning of year	65 600	-
Cash book balance at end of year	60 050	60 050
 Bank statement balance at beginning of year		
Bank statement balance at end of year	60 050	-
	<u>78 366</u>	<u>65 600</u>

20. PROPERTY RATES

Actual

Rateable Land and Buildings

Residential Property	13 042 705	11 849 613
Commercial Property	2 634 063	2 300 580
Agricultural Purposes	787 684	730 656
State - National/ Provincial Services	9 432 833	8 665 794
	<u>188 126</u>	<u>152 582</u>
Less: Rebates	(10 042 434)	(9 039 200)
Total Assessment Rates	3 000 271	2 810 414

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<u>Valuations - 1 July 2014</u>		
Rateable Land and Buildings		
Residential Property	968 192 755	979 911 755
Commercial Property	199 550 405	203 002 225
Agricultural Purposes	39 782 000	40 592 000
State - National/ Provincial Services	714 608 350	722 149 530
	14 252 000	14 168 000
Less: Income Forgone	<u>(760 790 455)</u>	<u>(753 266 630)</u>
Total Assessment Rates	<u>207 402 300</u>	<u>226 645 125</u>

The applicable rates that are applied to property valuations to determine assessment rates are as follows:- Agricultural land -0.000695 cents per rand, land and improvements -0.01232 cents per rand. A discount of 10% was granted to the State.

Rates are levied annually and monthly. Monthly rates are payable by the 30th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2013.

21. GOVERNMENT GRANTS AND SUBSIDIES

Unconditional

Equitable Share	13 821 000	13 134 000
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Conditional

Grants and Donations	21 446 743	9 352 904
Correction of Error - Note 37.9	21 446 743	23 003 152 (13 650 249)

Total Government Grants and Subsidies

Government Grants and Subsidies - Operating	19 696 494	16 399 200
Government Grants and Subsidies - Capital	15 571 249	6 087 703

Total Government Grants and Subsidies

	<u>35 267 743</u>	<u>22 486 904</u>
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Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Equitable Share	13 821 000	13 134 000
Grants and Donations		
Executive and council	95 011	217 701
Budget and treasury office	1 977 901	1 821 710
Corporate Services	-	200 380
Community and social services	285 099	3 656 216
Housing	-	-
Sport and recreation	718 887	-
Waste Water Management	2 495 970	2 951 092
Road Transport	11 130 954	-
Water	612 632	-
Electricity	4 130 289	505 805
Total Government Grants and Subsidies	<u>35 267 743</u>	<u>22 486 904</u>

21.1 Equitable Share

Opening balance	-	-
Correction of Error	-	-
Grants received	13 821 000	13 134 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(13 821 000)	(13 134 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
21.2 Local Government Financial Management Grant (FMG)		
Opening balance	-	(26 884)
Correction of Error - Note 37.6	-	220 822
Grants received	1 800 000	1 650 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1 768 365)	(1 774 193)
Conditions met - Capital	(31 635)	(69 745)
Conditions still to be met	-	-
	<hr/>	<hr/>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

21.3 Municipal Systems Improvement Grant (MSIG)

Opening balance	475 204	431 418
Correction of Error	-	-
Grants received	934 000	890 000
Interest received	-	-
Repaid to National Revenue Fund	(475 000)	(431 418)
Conditions met - Operating	(209 513)	(268 339)
Conditions met - Capital	(61 376)	(146 457)
Conditions still to be met	663 315	475 204
	<hr/>	<hr/>

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

21.4 Municipal Infrastructure Grant (MIG)

Opening balance	5 021 293	8 205 845
Correction of Error	-	-
Grants received	8 376 000	6 481 000
Interest received	-	-
Repaid to National Revenue Fund	-	(5 170 910)
Conditions met - Operating	(1 160 155)	-
Conditions met - Capital	(9 160 787)	(4 494 642)
Conditions still to be met	3 076 352	5 021 293
	<hr/>	<hr/>

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

21.5 Integrated National Electrification Grant

Opening balance	797 689	529 821
Correction of Error	-	-
Grants received	-	1 200 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(797 689)	(932 131)
Conditions still to be met	-	797 689
	<hr/>	<hr/>

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
21.6 <u>Energy Efficiency and Demand Side Management</u>		
Opening balance	2 757 230	-
Correction of Error	-	-
Grants received	-	3 000 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1 696 907)	-
Conditions met - Capital	(1 060 323)	(242 770)
Conditions still to be met	-	2 757 230
	<hr/> <hr/>	<hr/> <hr/>

The grant was used for energy saving projects.

21.7 Accelerated Community Infrastructure Programme

Opening balance	-	-
Correction of Error	-	-
Grants received	3 792 888	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(3 792 888)	-
Conditions still to be met	-	-
	<hr/> <hr/>	<hr/> <hr/>

The grant was used to finance infrastructure programmes.

21.8 Library Grant

Opening balance	37 872	(6 959)
Correction of Error	-	-
Grants received	747 000	554 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(784 872)	(307 210)
Conditions met - Capital	-	(201 958)
Conditions still to be met	-	37 872
	<hr/> <hr/>	<hr/> <hr/>

The grant was used to provide Library services to the community.

21.9 Provincial Infrastructure Grant

Opening balance	6 750	6 750
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	6 750	6 750
	<hr/> <hr/>	<hr/> <hr/>

The Provincial Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
21.10 <u>GCIS</u>		
Opening balance	-	-
Correction of Error	-	-
Grants received	-	1 500
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(1 500)
Conditions met - Capital	-	-
Conditions still to be met	<hr/> <hr/>	<hr/> <hr/>
Grant was received to provide internet access during the Soccer World Cup to communities in order to watch the soccer.		
21.11 <u>Expanded Public Works Programme</u>		
Opening balance	65 600	-
Correction of Error	-	-
Grants received	1 000 000	1 000 000
Interest received	-	-
Repaid to National Revenue Fund	(65 000)	-
Conditions met - Operating	(255 682.69)	(934 400)
Conditions met - Capital	(666 551.57)	-
Conditions still to be met	<hr/> <hr/>	<hr/> <hr/>
The grant was used for job creation.		
21.12 <u>Namakwa District Municipality</u>		
Opening balance	94 234	94 234
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<hr/> <hr/>	<hr/> <hr/>
The grant was used for various projects.		
21.13 <u>LG SETA</u>		
Opening balance	43 121	37 010
Correction of Error	-	-
Grants received	25 236	20 091
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(13 980)
Conditions met - Capital	-	-
Conditions still to be met	<hr/> <hr/>	<hr/> <hr/>
The grant was used to provide training to employees.		
21.14 <u>Vedanta Black Mountain</u>		
Opening balance	20 664	-
Correction of Error	-	-
Grants received	-	207 064
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(186 400)
Conditions met - Capital	-	-
Conditions still to be met	<hr/> <hr/>	<hr/> <hr/>
The grant was used for various projects.		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
21.15 Total Grants		
Opening balance	10 367 288	9 271 234
Correction of Error	(1 047 630)	220 822
Grants received	30 496 123	28 137 655
Interest received	-	-
Repaid to National Revenue Fund	(540 000)	(5 602 328)
Conditions met - Operating	(19 696 494)	(16 620 022)
Conditions met - Capital	(15 571 249)	(6 087 703)
Conditions still to be met/(Grant expenditure to be recovered)	<u>4 008 038</u>	<u>9 319 657</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	4 008 038	9 319 657
Unpaid Conditional Government Grants and Receipts	-	-
Total	<u>4 008 038</u>	<u>9 319 657</u>
22. SERVICE CHARGES		
Electricity	6 237 649	5 742 538
Service Charges	6 668 122	6 208 396
Less: Income Forgone	(430 474)	(465 858)
Water	5 910 445	5 680 126
Service Charges	8 733 754	8 120 036
Less: Income Forgone	(2 823 308)	(2 439 910)
Refuse Removal	779 592	680 061
Service Charges	2 562 571	2 244 329
Less: Income Forgone	(1 782 979)	(1 564 267)
Sewerage and Sanitation Charges	938 694	843 192
Service Charges	2 662 079	2 389 882
Less: Income Forgone	(1 723 386)	(1 546 690)
Total Service Charges	<u>13 866 379</u>	<u>12 945 917</u>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
23. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	182 655	366 699
Total Interest Earned - External Investments	182 655	366 699
24. INTEREST EARNED - OUTSTANDING RECEIVABLES		
Trade Receivables	766 699	2 657 808
Other Receivables	91 269	77 112
Total Interest Earned - Outstanding Receivables	857 968	2 734 921
25. OTHER INCOME		
Sundry Income	104 845	91 577
Building Plan Fees	22 185	7 250
Commissions	12 782	10 492
Connection Fees	2 529	62 013
Discount Received from Auditor-General	687 332	1 931 043
Graves and Cemeteries	-	1 000
Photocopies	4 660	1 621
Sale of erven	-	12 000
Swimming Pool	2 212	2 632
Tanker Services	31 861	49 421
Total Other Income	868 406	2 169 049
<u>Disclosed as follows:</u>		
Revenue from Exchange Transactions	181 074	238 006
Revenue from Non-Exchange Transactions	687 332	1 931 043
Total Other Income	868 406	2 169 049
26. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	8 473 286	8 004 488
Employee Related Costs - Contributions for Medical Aids	260 214	261 371
Employee Related Costs - Contributions for UIF and Pensions	1 059 430	1 003 427
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	378 616	324 945
Housing Benefits and Allowances	14 695	15 663
Overtime Payments	574 359	680 032
Bonuses	541 815	512 083
Provision for leave	172 476	139 322
Contribution to provision - Long Service Awards - Note 5	55 488	52 507
Contribution to provision - Post Retirement Medical - Note 5	241 349	194 895
Less: Employee Costs allocated elsewhere	11 771 728	11 188 733
Total Employee Related Costs	11 771 728	11 188 733
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager -O.J. Isaacs</i>		
Annual Remuneration	457 944	-
Car Allowance	-	-
Telephone allowance	7 000	-
Bonus	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	464 944	-

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<i>Remuneration of the Municipal Manager - Mr F Mashilo (Former Acting)</i>		
Annual Remuneration	-	19 550
Car Allowance	-	-
Housing benefits and other allowances	-	2 720
Bonus	-	-
Contributions - UIF, Medical, Pension	-	223
Total	-	22 493
<i>Remuneration of the Municipal Manager - Mr EJ Vries (Former Acting)</i>		
Annual Remuneration	255 214	238 987
Acting Allowance	110 492	-
Car Allowance	108 834	109 350
Housing benefits and other allowances	8 561	12 167
Bonus	21 268	19 916
Contributions - UIF, Medical, Pension	75 162	70 207
Total	469 039	561 119
<i>Remuneration of the Municipal Manager - Mr KK Khumalo (Acting)</i>		
Annual Remuneration	40 000	27 200
Car Allowance	-	-
Housing benefits and other allowances	558	308
Bonus	-	-
Contributions - UIF, Medical, Pension	-	-
Total	40 558	27 508
<i>Remuneration of the Chief Finance Officer - Mr PJ van der Merwe</i>		
Annual Remuneration	291 582	273 042
Car Allowance	122 191	122 498
Housing benefits and other allowances	5 683	5 683
Bonus	24 298	22 754
Contributions - UIF, Medical, Pension	97 214	95 897
Total	540 967	519 874
27. REMUNERATION OF COUNCILLORS		
AJ Josop	593 796	606 717
PA van Heerden	188 238	188 238
HJ Raman	188 238	188 238
SM Magerman	188 238	188 238
S April	188 238	188 238
ST Basson	188 238	188 238
LH van Rooi	188 238	188 238
Total Councillors' Remuneration	1 723 225	1 736 146

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Mayor	444 752	142 621	6 423	-	593 796
Councillors	799 800	256 453	73 176	-	1 129 429
Total Councillors' Remuneration	399 074	399 074	79 599	-	1 723 225

In-kind Benefits

The Mayor is a full-time Councillor. She is provided with an office and secretarial support at the cost of the Municipality. The Mayor may utilise official Council transportation when engaged in official duties.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....
Signed: Municipal Manager

	2015 R	2014 R
28. DEBT IMPAIRMENT		
Receivables from exchange transactions - Note 16	7 046 417	9 636 483
Receivables from non-exchange transactions - Note 17	1 155 761	234 311
	<hr/>	<hr/>
	8 202 179	9 870 794
<u>Less:</u> VAT Portion on Debt Impairment	(865 350)	(937 183)
Total Debt Impairment	<u>7 336 829</u>	<u>8 933 611</u>
	<hr/>	<hr/>
29. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	2 517 105	1 849 923
Intangible assets	71 898	68 776
Investment property carried at cost	5 692	1 435
	<hr/>	<hr/>
Total Depreciation and Amortisation	<u>2 594 695</u>	<u>1 920 134</u>
	<hr/>	<hr/>
30. REPAIRS AND MAINTENANCE		
Property, Plant and Equipment	941 807	1 258 148
Investment Property	1 354	-
	<hr/>	<hr/>
Total Depreciation and Amortisation	<u>943 161</u>	<u>1 258 148</u>
	<hr/>	<hr/>
31. FINANCE COSTS		
Long-term Liabilities	562 450	105 014
Non-current Provisions	260 548	177 521
Correction of Error - Note 37.1	-	(7 954)
Non-current Employee Benefits	444 544	351 953
Correction of Error - Note 37.2	-	24 129
Creditors	-	149 450
Overdraft Facilities	669	11 997
	<hr/>	<hr/>
Total Finance Costs	<u>1 268 212</u>	<u>812 110</u>
	<hr/>	<hr/>
32. BULK PURCHASES		
Electricity	6 341 622	5 736 484
Water	2 657 301	2 379 526
	<hr/>	<hr/>
Total Bulk Purchases	<u>8 998 924</u>	<u>8 116 010</u>
	<hr/>	<hr/>

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
33. OTHER OPERATING GRANT EXPENDITURE		
Operating Grant Expenditure per Vote		
DWAF	-	6 876
Finance Management Grant	1 768 365	1 843 938
Municipal System Improvement Grant	209 513	268 339
Vedanta Black Mountain	-	187 547
Provincial Grant Expenditure	111 769	26 575
Total Operating Grant Expenditure	<u>2 089 647</u>	<u>2 333 275</u>
34. GENERAL EXPENSES		
Advertisements	37 492	113 966
Audit Fees	1 221 662	1 602 342
Bank Charges	118 863	140 138
Cleansing	31 386	27 107
Commission - sale of electricity	214 837	54 048
Electricity	651 748	533 395
Fuel Vehicles	740 680	590 314
Insurance	425 278	631 912
Legal Fees	-	5 010
Materials	234 293	214 892
Membership Fees	512 707	463 543
Postage and Telephone	314 586	307 087
Printing and Stationary	141 075	117 798
Travel Expenses	1 388 675	1 169 141
Uniforms and Protective Clothing	64 498	36 251
Other	311 954	1 052 775
Correction of Error - Note 37.9	-	(4 425 840)
Total General Expenses	<u>6 409 734</u>	<u>2 633 880</u>
35. GAIN/ (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	92 521	(33 843)
Intangible assets	-	-
Investment property	-	-
Total Gain/ (Loss) on Sale of Assets	92 521	(33 843)
36. (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS		
Property, Plant and Equipment	-	9 941 139
Intangible Assets	-	-
Investment Property	-	-
Inventory	(900)	34 250
Total (Impairment Loss)/ Reversal of Impairment Loss	(900)	9 975 389
37. CORRECTION OF ERROR IN TERMS OF GRAP 3		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
	2015 R	2014 R
37.1 Non-Current Provisions		
Balance previously reported	-	3 204 897
Derecognise IGRAP 2 Adjustments for 2013/2014 - Note 3	-	(549 116)
Adjustment 2013/2014 Interest Paid for the year - Note 3	-	(3 693)
Correct prior year balances - before 1 July 2013 - Note 3	-	(423 263)
Restated Balance	-	2 228 825
Correction of Provision for Rehabilitation of Landfill-sites		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
		R	R
37.2 Non-Current Employee Benefits			
Balance previously reported		-	4 502 945
Provision for Long-Service Awards - Periods before 1 July 2013		-	321 491
Provision for Long-Service Awards - Current Service Cost 2013/2014		-	52 507
Provision for Long-Service Awards - Interest Cost 2013/2014		-	24 129
Provision for Long-Service Awards - Benefits Paid 2013/2014		-	(10 311)
Provision for Long-Service Awards - Actuarial Loss 2013/2014		-	34 727
Provision for Long-Service Awards - Short-term Portion 2013/2014		-	(30 104)
Restated Balance		<hr/>	<hr/>
		-	4 895 384
		<hr/>	<hr/>
	Sundry Creditor recognised incorrectly in prior years.		
37.3 Payables from Exchange Transactions			
Balance previously reported		-	8 373 562
Sundry Creditor recognised incorrectly in prior years - Note 8		-	43 272
Reversal of Housing Grant transactions - Note 37.3		-	1 241 998
Restated Balance		<hr/>	<hr/>
		-	9 658 833
		<hr/>	<hr/>
	Sundry Creditor recognised incorrectly in prior years.		
37.4 Unspent Conditional Government Grants and Receipts			
Balance previously reported		-	10 561 656
Reversal of Housing Grant transactions - Note 9		-	(1 241 998)
Restated Balance		<hr/>	<hr/>
		-	9 319 657
		<hr/>	<hr/>
	Reversal of Housing Grant transactions.		
37.5 Property, Plant and Equipment			
Balance previously reported		-	92 612 023
Cost		-	769 103
Infrastructure Assets not recognised in prior years - Note 12		-	1 869 237
IGRAP 2 Adjustment recognised incorrectly in prior years - Note 12		-	(1 096 758)
Other Assets not written-off in prior years - Note 12		-	(3 377)
Accumulated Depreciation		-	(172 039)
Backlog Depreciation on Infrastructure Assets not recognised in prior years - Note 12		-	(172 039)
Restated Balance		<hr/>	<hr/>
		-	93 209 087
		<hr/>	<hr/>
	Assets not recognised in prior years and Other Assets not written-off in prior years.		
		2015	2014
		R	R
37.6 Receivables from Non-Exchange Transactions			
Balance previously reported		-	1 479 582
Correction of Sundry Debtor Accounts - Note 17		-	(8 364)
Reversal of Housing Grant transactions - Note 37.6		-	194 368
Restated Balance		<hr/>	<hr/>
		-	1 665 586
		<hr/>	<hr/>
	Correction of Sundry Debtor Accounts recognised incorrectly in prior years.		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R		
37.7	Unpaid Conditional Government Grants and Receipts				
	Balance previously reported		415 190		
	Recognise over-expenditure on FMG Grant as operating expenses - Note 9	-	(220 822)		
	Reversal of Housing Grant transactions - Note 9	-	(194 368)		
	Restated Balance		-		
	Recognise over-expenditure on FMG Grant as operating expenses and reversal of Housing Grant transactions.				
37.8	Accumulated Surplus/(Deficit) - 1 July 2013				
	Provision for Long-Service Awards not recognised in prior years - Note 37.2	-	(321 491)		
	Restate Provision for Rehabilitation of Landfill-sites - Note 37.1	-	423 263		
	Infrastructure Assets not recognised in prior years - Note 37.5	-	1 869 237		
	Other Assets not written-off in prior years - Note 37.5	-	(3 377)		
	Backlog Depreciation on Infrastructure Assets not recognised in prior years - Note 37.5	-	(172 039)		
	Correction of Sundry Debtor Accounts - Note 37.5	-	(8 364)		
	Total		1 787 230		
37.9	Changes to Statement of Financial Performance				
	Movement on operating account as a result of GRAP standards not implemented in prior years:				
		Note	Balance previously reported	Adjustments	Restated Balance
	Revenue				
	Property taxes		2 810 414	-	2 810 414
	Government Grants and Subsidies		10 837 450	-	10 837 450
	Public Contributions and Donations	37.6	25 299 702	(13 650 249)	11 649 454
	Fines		3 050	-	3 050
	Service Charges		12 945 917	-	12 945 917
	Rental of Facilities and Equipment		170 159	-	170 159
	Interest Earned - external investments		366 699	-	366 699
	Interest Earned - outstanding receivables		2 734 921	-	2 734 921
	Licences and Permits		26 787	-	26 787
	Income for Agency Services		134 019	-	134 019
	Other Income		2 169 049	(1 931 043)	238 006
	Total		57 498 166	(13 650 249)	43 847 918
	Expenditure				
	Employee related costs	37.2	(11 146 537)	(42 196)	(11 188 733)
	Remuneration of Councillors		(1 736 146)	-	(1 736 146)
	Debt Impairment		(8 933 611)	-	(8 933 611)
	Collection Costs		-	-	-
	Depreciation and Amortisation		(1 920 134)	-	(1 920 134)
	Repairs and Maintenance		(1 258 148)	-	(1 258 148)
	Unamortised Discount - Interest		-	-	-
	Actuarial Losses	37.2	(196 042)	(34 727)	(230 769)
	Finance Costs	37.2	(795 935)	(16 175)	(812 110)
	Bulk Purchases		(8 116 010)	-	(8 116 010)
	Contracted Services		(289 230)	-	(289 230)
	Grants and Subsidies Paid		(358 451)	-	(358 451)
	Other Operating Grant Expenditure		(11 293 590)	8 960 315	(2 333 275)
	General Expenses	37.3	(7 059 719)	4 425 840	(2 633 880)
	Loss on Sale of Assets		(33 843)	-	(33 843)
	Impairment loss		(9 975 389)	(551 902)	(10 527 291)
	Total		(63 112 786)	12 741 154	(50 371 632)
	Net Surplus/(Deficit) for the year		(5 614 620)	(909 095)	(6 523 714)

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

38. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

Surplus/(Deficit) for the year	11 355 988	(6 523 714)
<u>Adjustments for:</u>		
Depreciation and amortisation	2 369 196	1 867 907
Loss/(Gain) on disposal of property, plant and equipment	(92 521)	33 843
Impairment Loss/(Reversal of Impairment Loss)	900	10 525 161
Government Grants and Subsidies received	29 956 123	37 715 755
Government Grants and Subsidies recognised as revenue	(35 267 743)	(35 916 330)
Grants repaid to National Treasury Fund	260 548	-
Contribution to provisions – Non-Current Provisions	601 837	171 697
Contribution from/to provisions - Current Employee Benefits	-	837 136
Contribution from/to provisions - Non-Current Employee Benefits	7 336 829	494 326
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial Losses	-	58 856
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial Gain	(652 251)	-
Contribution to provisions – Bad debt	-	9 870 794
Operating Surplus/(Deficit) before changes in working capital	15 868 906	19 135 430
Changes in working capital	(5 258 834)	(7 403 985)
Increase/(Decrease) in Trade and Other Payables	2 862 000	2 778 542
Increase/(Decrease) in Employee Benefits	76 488	(533 797)
(Increase)/Decrease in Taxes	(839 697)	(710 854)
(Increase)/Decrease in Inventory	(152 847)	498 538
(Increase)/Decrease in Receivables from exchange transactions	(5 765 826)	(8 945 598)
(Increase)/Decrease in Receivables from non-exchange transactions	(1 438 952)	(490 816)
Cash generated/(absorbed) by operations	10 610 073	11 731 445

39. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Current Accounts - Note 19	224 717	12 851
Call Investments Deposits - Note 19	565 553	7 807 262
Cash Floats - Note 19	100	100
Total cash and cash equivalents		
	790 370	7 820 213

40. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 39	790 370	7 820 213
<u>Less:</u>		
Unspent Committed Conditional Grants - Note 9	(4 008 038)	(9 319 657)
Net cash resources available for internal distribution	(3 208 771)	(1 493 771)
Allocated to:		
Capital Replacement Reserve	-	-
Resources available for working capital requirements	(3 208 771)	(1 493 771)

41. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	10 544	33 993
Used to finance property, plant and equipment - at cost	(10 544)	(33 993)
Cash set aside for the repayment of long-term liabilities		
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

42. BUDGET COMPARISONS

	2015 Actual R	2015 Final Budget R	2015 Variance R	2015 Variance %
42.1 Operational Budget by Standard Classification				
<u>Revenue - Standard</u>				
Governance and Administration				
Executive and council	254 895	130 000	124 895	96.07%
Budget and Treasury Office	19 579 298	19 507 320	71 978	0.37%
Corporate Services	1 052 031	4 124 800	(3 072 769)	-74.49%
Community and Public Safety				
Community and Social Services	3 981 880	3 954 290	27 590	0.70%
Sport and Recreation	721 099	782 000	(60 901)	-7.79%
Public Safety	-	-	-	-
Housing	5 873 854	6 387 640	(513 786)	-8.04%
Health	-	-	-	-
Economic and Environmental Services				
Planning and Development	-	-	-	-
Road Transport	11 320 971	13 429 560	(2 108 589)	-15.70%
Environmental Protection	-	-	-	-
Trading Services				
Electricity	10 450 317	11 261 710	(811 393)	-7.20%
Water	7 041 461	7 660 230	(618 769)	-8.08%
Waste Water Management	3 213 059	3 235 000	(21 941)	-0.68%
Waste Management	841 104	863 160	(22 056)	-2.56%
Other	-	-	-	-
Total Revenue	64 329 969	71 335 710	(7 005 741)	-9.82%
<u>Expenditure - Standard</u>				
Governance and Administration				
Executive and council	(3 951 922)	(4 645 290)	693 368	-14.93%
Budget and Treasury Office	(5 844 011)	(5 347 310)	(496 701)	9.29%
Corporate Services	(5 139 205)	(5 199 920)	60 715	-1.17%
Community and Public Safety				
Community and Social Services	(2 233 603)	(2 435 580)	201 977	-8.29%
Sport and Recreation	(504 200)	(1 398 560)	894 360	-63.95%
Public Safety	(12 895)	(190 500)	177 605	-93.23%
Housing	(6 113 092)	(6 387 640)	274 548	-4.30%
Health	-	-	-	-
Economic and Environmental Services				
Planning and Development	(848 293)	(1 007 210)	158 917	-15.78%
Road Transport	(902 081)	(1 510 680)	608 599	-40.29%
Environmental Protection	-	-	-	-
Trading Services				
Electricity	(10 529 499)	(10 179 240)	(350 259)	3.44%
Water	(11 069 618)	(7 369 370)	(3 700 248)	50.21%
Waste Water Management	(2 774 615)	(3 530 210)	755 595	-21.40%
Waste Management	(2 844 858)	(3 179 920)	335 062	-10.54%
Other	(206 089)	-	(206 089)	-
Total Expenditure	(52 973 981)	(52 381 430)	(592 551)	1.13%
Surplus/(Deficit) for the year	11 355 988	18 954 280	(7 598 292)	-40.09%

Details of material variances

Refer to note 43 for explanations.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %
42.2 Capital Expenditure by Standard Classification				
Governance and Administration				
Executive and council	228 790	230 000	(1 210)	-0.53%
Budget and Treasury Office	-	-	-	-
Corporate Services	-	-	-	-
Community and Public Safety				
Community and Social Services	2 804 200	3 074 200	(270 000)	-8.78%
Sport and Recreation	666 552	-	666 552	100.00%
Public Safety	-	-	-	-
Housing	-	-	-	-
Health	-	-	-	-
Economic and Environmental Services				
Planning and Development	-	-	-	-
Road Transport	9 767 452	11 497 370	(1 729 918)	-15.05%
Environmental Protection	-	-	-	-
Trading Services				
Electricity	1 635 693	1 600 000	35 693	2.23%
Water	692 060	1 030 330	(338 271)	-32.83%
Waste Water Management	2 103 382	2 140 000	(36 618)	-1.71%
Waste Management	852 457	-	852 457	100.00%
Other	-	-	-	-
Total Capital Expenditure	18 750 584	19 571 900	(821 316)	-4.20%

Details of material variances

Refer to note 43 for explanations.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %
42.3 Operational Budget by Municipal Vote				
<u>Revenue - Vote</u>				
Municipal Manager	254 895	130 000	124 895	96.07%
Council and General Municipal Manager	162 373 92 521	130 000 -	32 373 92 521	24.90%
Finance	19 944 620	23 588 370	(3 643 750)	-15.45%
Assessment Rates	3 091 541	3 080 120	11 421	0.37%
Chief Financial Officer	2 666 757	2 606 200	60 557	2.32%
Internal Auditor	-	-	-	-
Other Subsidies	13 821 000	13 821 000	-	0.00%
Property Services	175 305	3 880 500	(3 705 196)	-95.48%
Vehicle Licencing and Testing	190 017	200 550	(10 533)	-5.25%
Corporate Services	4 858 606	4 198 590	660 016	15.72%
Cemetery	-	10 500	(10 500)	-100.00%
Corporate Services	876 726	244 300	632 426	258.87%
Disaster Management	-	-	-	-
Health	-	-	-	-
Library	784 872	747 000	37 872	5.07%
Municipal and Public Buildings	220	-	220	100.00%
Public Works	3 196 788	3 196 790	(2)	0.00%
Infrastructure Development	33 397 995	37 031 110	(3 633 115)	-9.81%
Electricity	10 450 317	11 261 710	(811 393)	-7.20%
Parks and Recreation	721 099	782 000	(60 901)	-7.79%
Refuse	841 104	863 160	(22 056)	-2.56%
Roads	11 130 954	13 229 010	(2 098 056)	-15.86%
Sewerage	3 213 059	3 235 000	(21 941)	-0.68%
Television	-	-	-	-
Water	7 041 461	7 660 230	(618 769)	-8.08%
Economic Development	5 873 854	6 387 640	(513 786)	-8.04%
Housing	5 873 854	6 387 640	(513 786)	-8.04%
IDP/LED	-	-	-	-
Tourism	-	-	-	-
Total Revenue	64 329 969	71 335 710	(7 005 741)	-9.82%

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %
<u>Expenditure - Vote</u>				
Municipal Manager	(3 951 922)	(4 645 290)	693 368	-14.93%
Council and General Municipal Manager	(2 973 498) (978 424)	(3 377 590) (1 267 700)	404 092 289 276	-11.96% -22.82%
Finance	(5 866 616)	(5 558 370)	(308 246)	5.55%
Assessment Rates	(1 155 761)	(250 000)	(905 761)	362.30%
Chief Financial Officer	(4 328 850)	(4 747 310)	418 460	-8.81%
Internal Auditor	-	-	-	-
Other Subsidies	(359 400)	(350 000)	(9 400)	2.69%
Property Services	(2 691)	(151 560)	148 869	-98.22%
Vehicle Licencing and Testing	(19 914)	(59 500)	39 586	-66.53%
Corporate Services	(7 334 167)	(7 615 450)	281 283	-3.69%
Cemetery	(200 608)	(271 330)	70 722	-26.06%
Corporate Services	(5 136 515)	(5 048 360)	(88 155)	1.75%
Disaster Management	(12 895)	(190 500)	177 605	-93.23%
Health	-	-	-	-
Library	(993 112)	(1 308 670)	315 558	-24.11%
Municipal and Public Buildings	(598 450)	(754 000)	155 550	-20.63%
Public Works	(392 588)	(42 590)	(349 998)	821.78%
Infrastructure Development	(28 653 801)	(27 167 470)	(1 486 331)	5.47%
Electricity	(10 529 499)	(10 179 240)	(350 259)	3.44%
Parks and Recreation	(504 200)	(1 398 560)	894 360	-63.95%
Refuse	(2 844 858)	(3 179 920)	335 062	-10.54%
Roads	(882 166)	(1 451 180)	569 014	-39.21%
Sewerage	(2 774 615)	(3 530 210)	755 595	-21.40%
Television	(48 846)	(58 990)	10 144	-17.20%
Water	(11 069 618)	(7 369 370)	(3 700 248)	50.21%
Economic Development	(7 167 474)	(7 615 400)	447 926	-5.88%
Housing	(6 113 092)	(6 387 640)	274 548	-4.30%
IDP/LED	(848 293)	(1 007 210)	158 917	-15.78%
Tourism	(206 089)	(220 550)	14 461	-6.56%
Total Expenditure	(52 973 981)	(52 601 980)	(372 001)	0.71%
Surplus/(Deficit) for the year	11 355 988	18 733 730	(7 377 742)	-39.38%

Details of material variances

Refer to note 43 for explanations.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %
42.4 Capital Expenditure by Municipal Vote				
Municipal Manager	228 790	230 000	(1 210)	-0.53%
Council and General Municipal Manager	228 790	230 000	(1 210)	-0.53%
Finance	-	-	-	-
Assessment Rates	-	-	-	-
Chief Financial Officer	-	-	-	-
Internal Auditor	-	-	-	-
Other Subsidies	-	-	-	-
Property Services	-	-	-	-
Vehicle Licensing and Testing	-	-	-	-
Corporate Services	2 804 200	3 074 200	(270 000)	-8.78%
Cemetery	-	-	-	-
Corporate Services	-	-	-	-
Disaster Management	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Municipal and Public Buildings	-	-	-	-
Public Works	2 804 200	3 074 200	(270 000)	-8.78%
Infrastructure Development	16 247 750	16 267 700	(19 950)	-0.12%
Electricity	1 635 693	1 600 000	35 693	2.23%
Parks and Recreation	666 552	-	666 552	100.00%
Refuse	1 382 612	-	1 382 612	100.00%
Roads	9 767 452	12 137 370	(2 369 918)	-19.53%
Sewerage	2 103 382	1 500 000	603 382	40.23%
Television	-	-	-	-
Water	692 060	1 030 330	(338 271)	-32.83%
Economic Development	-	-	-	-
Housing	-	-	-	-
IDP/LED	-	-	-	-
Tourism	-	-	-	-
Total Capital Expenditure	19 280 740	19 571 900	(291 160)	-1.49%

Details of material variances

Refer to note 43 for explanations.

2015
R 2014
R

43. BUDGET INFORMATION

43.1 Explanation of variances between approved and final budget amounts

The reasons for the variances between the approved and final budgets are mainly due to movements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.

Explanation of variances greater than 5%: Final Budget and Actual Amounts

Statement of Financial Position

43.2.1 Current Assets

Cash

Cash transferred to investment accounts and overspending of operating budget.

Call Investment Deposits

Cash transferred to investment accounts.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Consumer Debtors

Increase in Service Debtors.

Other Debtors

Ongoing legal process to recover legal cost, Irregular, Fruitless and Wasteful Expenditure and Unpaid Government Grants and Subsidies recovered after year-end.

43.2.2 Non-Current Assets

Intangible Assets

Reclassification of Assets.

43.2.3 Current Liabilities

Consumer Deposits

Increase in consumers.

Trade and Other Payables

Increase due to cash flow problems to pay suppliers.

43.2.4 Non-Current Liabilities

Provisions

Increase in provision for non-retirement benefits.

43.2.5 Net Assets

Accumulated Surplus/(Deficit)

Net effect of all deviations.

Statement of Financial Performance

43.2.6 Revenue

Rental of Facilities and Equipment

Additional rent received.

Interest Earned - Outstanding Debtors

Increase in Consumer Debtors.

Fines

Actual fines received from Provincial Traffic less than budgeted for.

Licences and Permits

Licences issued less than budgeted for.

Fines

Actual fines received from Provincial Traffic less than budgeted for.

Licences and Permits

Licences issued less than budgeted for.

Agency Services

Vehicle Registration more than budgeted for.

Transfers Recognised - Operational

Gains on Disposal of PPE

Sale of Property not realised.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43.2.7 Expenditure

Employee Related Costs

Vacant posts of senior management not filled.

Remuneration of Councillors

No increase in consumer remuneration.

Debt Impairment

Increase in non-payment by consumers.

Depreciation and Asset Impairment

Review of remaining useful lives of assets.

Finance Charges

Increase of interest cost of post-retirement benefits.

Other Materials

Implementation of replacement strategy of older vehicles.

Other Expenditure

Operating Grant Expenditure less than budgeted for due to non-spending of Government Grants.

Loss on Disposal of PPE

*Assets written-off.***Cash Flow Statement****43.2.8 Net Cash from Operating Activities**

Ratepayers and other

Increase in non-payment by consumers.

Interest

*Increase in Interest on Receivables.***43.2.9 Net Cash from Investing Activities**

Capital Assets

*Unspent Government Grants on year-end.***43.2.10 Net Cash from Financing Activities**

Increase/(Decrease) in Consumer Deposits

Increase in consumers.

Repayment of Borrowing

*Repayment of finance leases.***44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED****44.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	31 489 956	12 578 271
Unauthorised expenditure current year - operational	1 794 577	18 911 684
Unauthorised expenditure current year - capital	-	-
Approved by Council or condoned	-	-
Unauthorised expenditure awaiting authorisation	<u><u>33 284 533</u></u>	<u><u>31 489 956</u></u>

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Over expenditure of approved budget	None	29 136 742	27 342 165
Grants utilised for Operating Purposes	None	4 147 791	4 147 791
		33 284 533	31 489 956

44.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	1 278 683	66 147
Fruitless and wasteful expenditure current year	148 272	1 212 536
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	1 426 955	1 278 683

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Interest on overdue Eskom accounts - 2012	None	42 033	42 033
Penalties and interest for late payment of value added taxation - 2012	None	4 444	4 444
Overpayment of SDL levies - 2012	None	2 872	2 872
Salary paid to PJ Baker after contract terminated - February 2013	None	13 023	13 023
Salary paid to JE Magerman - February 2013	None	3 775	3 775
Interest on overdue Eskom accounts - 2014	None	114 590	114 590
Interest on Bank Overdraft - 2014	None	11 479	11 479
Interest on AGSA accounts - 2014	None	149 450	149 450
Interest on Other Suppliers accounts - 2014	None	974	974
Overpayment to Seven Sirs for building of Community Halls	None	936 043	936 043
Interest on overdue Eskom accounts - 2015	None	148 272	-
		1 426 955	1 278 683

44.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	11 072 467	11 072 467
Irregular expenditure current year	-	-
Expenditure authorised i.t.o. Section 32 of MFMA	-	-
Condonement supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting further action	11 072 467	11 072 467
Irregular expenditure awaiting condonement from National Treasury	11 072 467	11 072 467

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings	2015 R	2014 R
<i>Payment made to employee, without renewal of contract - 2011</i>	<i>None</i>	231 706	231 706
<i>Appointment of supplier by former Accounting Officer without following Supply Chain Management procedures - 2011</i>	<i>None</i>	5 609 311	5 609 311
<i>Appointment of Municipal Manager in terms of Section 54 A (1) Subsection 4 was Null And Void (Ref to letter from COGHSTA dated 13 February 2013). All expenditure from date of appointment was classified as irregular - 2013</i>	<i>None</i>	1 612 959	1 612 959
<i>Non-compliance with Section 44 of the Supply Chain regulations - Dealings with a person in the service of the state - 2012</i>	<i>None</i>	66 519	66 519
<i>Deviations from the Supply Chain regulations - 3 Quotations not obtained - 2012</i>	<i>None</i>	171 919	171 919
<i>Deviations from the Supply Chain regulations - No declaration of interest - 2012</i>	<i>None</i>	3 202 590	3 202 590
<i>Deviations from the Supply Chain regulations - No declaration of interest - 2013</i>	<i>None</i>	53 340	53 340
<i>Deviations from the Supply Chain regulations - No original Tax Clearance Certificate - 2012</i>	<i>None</i>	98 131	98 131
<i>Finance Lease agreements entered into for a period longer than 3 years - 2013 Payments</i>	<i>None</i>	25 992	25 992
		11 072 467	11 072 467

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

Possible irregular expenditure, pending an investigation, occurred during the year.

Incident	Disciplinary steps/criminal proceedings	2015 R	2014 R
<i>Deviations from the Supply Chain regulations - 3 Quotations not obtained, No Original Tax Clearance Certificate and No declaration of interest - 2014</i>	<i>None</i>	934 857	934 857
<i>Deviations from the Supply Chain regulations - Reasons for deviations not documented - 2014</i>	<i>None</i>	1 015 380	1 015 380
<i>Bid Adjudication Committee does not exist of 4 managers and a senior SCM official</i>	<i>None</i>	1 574 227	1 574 227
<i>Invalid deviation for tender awarded for Upgrading of Gravel Roads</i>	<i>None</i>	790 000	790 000
<i>Deviations from the Supply Chain regulations - Contracted Services of AA du Plessis</i>	<i>None</i>	205 317	205 317
<i>Deviations from the Supply Chain regulations - No tender processes followed to appoint service provider to complete work of initial appointed service provider</i>	<i>None</i>	1 396 424	1 396 424
<i>Remuneration paid to EJ Vries for acting as Municipal Manager for periods exceeding 3 months without approval from MEC.</i>	<i>None</i>	66 738	66 738
<i>New contracts were offered to employees without the necessary interviews and evaluations taking place before the new appointments taking place.</i>	<i>None</i>	2 110 250	2 110 250
		8 093 193	8 093 193

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)			
Opening balance		-	-
Council subscriptions		500 000	500 000
Amount paid - current year		(500 000)	(500 000)
Amount paid - previous years		-	-
Balance unpaid (included in creditors)		<u><u>-</u></u>	<u><u>-</u></u>
		<u><u>-</u></u>	<u><u>-</u></u>
45.2 Audit fees - [MFMA 125 (1)(c)]			
Opening balance		2 108 697	2 847 219
Current year audit fee		782 153	(223 682)
External Audit - Auditor-General		782 153	(223 682)
Amount paid - current year		-	(514 840)
Amount paid - previous year		-	-
Balance unpaid (included in creditors)		<u><u>2 890 849</u></u>	<u><u>2 108 697</u></u>
		<u><u>-</u></u>	<u><u>-</u></u>
45.3 VAT - [MFMA 125 (1)(c)]			
Opening balance		426 145	163 615
Amounts received - current year		(4 559 072)	(1 542 376)
Amount paid - current year		4 926 707	1 804 905
Closing balance		<u><u>793 780</u></u>	<u><u>426 145</u></u>
		<u><u>-</u></u>	<u><u>-</u></u>
VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.			
45.4 PAYE and UIF - [MFMA 125 (1)(c)]			
Opening balance		129 817	-
Current year payroll deductions		1 514 640	1 544 532
Amount paid - current year		(1 773 231)	(1 414 716)
Balance unpaid (included in creditors)		<u><u>(128 774)</u></u>	<u><u>129 817</u></u>
		<u><u>-</u></u>	<u><u>-</u></u>
45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]			
Opening balance		153 089	-
Current year payroll deductions and Council Contributions		1 949 231	1 855 638
Amount paid - current year		(1 951 027)	(1 702 549)
Amount paid - previous year		-	-
Balance unpaid (included in creditors)		<u><u>151 293</u></u>	<u><u>153 089</u></u>
		<u><u>-</u></u>	<u><u>-</u></u>
45.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]			
The following Councillors had arrear accounts for more than 90 days as at 30 June 2015:		Outstanding more than 90 days	
HJ Raman		7 140	
PA van Heerden		6 742	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

	Amount	Type of Deviation			
		Single Supplier	Impossible	Impractical	Emergency
July	96 054	6	-	-	-
August	73 759	3	-	-	-
September	67 605	8	-	-	-
October	176 785	12	-	-	-
November	248 262	12	-	-	-
December	187 710	6	-	-	-
January	198 489	9	-	-	-
February	180 997	11	-	-	-
March	33 441	3	-	-	-
April	38 357	3	-	-	-
May	62 061	5	-	-	-
June	160 877	14	-	-	-
	1 524 396	92	-	-	-
				2015 R	2014 R

45.8 Material losses

Electricity distribution losses

Percentage lost during distribution	5.79%	11.74%
Distribution loss (Rand Value)	400 777	673 973

Water distribution losses

Percentage lost during distribution	34.34%	24.00%
Distribution loss (Rand Value)	1 060 056	648 285

46. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:	1 021 687	26 362 617
Infrastructure	701 897	12 745 483
Community	-	-
Other	319 790	13 617 134
Total	1 021 687	26 362 617

This expenditure will be financed from:

Government Grants	1 021 687	26 362 617
Total	1 021 687	26 362 617

47. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

	2015 R	2014 R
The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:		
1% (2014: 1%) Increase in interest rates	7 797	77 861
1% (2014: 1%) Decrease in interest rates	(7 797)	(77 861)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 18 and 19 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2015 %	2015 R	2014 %	2014 R
<u>Non-exchange Receivables</u>				
Rates	8.40%	2 594 703	5.77%	1 438 942
<u>Exchange Receivables</u>				
Services	91.60%	28 279 281	94.23%	23 502 685
	<u>100.00%</u>	<u>30 873 984</u>	<u>100.00%</u>	<u>24 941 627</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Investments to the value of R 200,000 were held as security for the overdraft facility at Standard Bank. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The bank utilised by the municipality for current and non-current investments are all listed on the JSE (Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where

	2015 R	2014 R
Financial assets exposed to credit risk at year end are as follows:		
Long-term Receivables		
Receivables from exchange transactions	30 018 159	25 656 805
Receivables from non-exchange transactions	4 543 481	3 104 529
Cash and Cash Equivalents	790 270	7 820 113
Unpaid Conditional Grants and Subsidies	-	-
	<u>35 351 910</u>	<u>36 581 447</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
	2015	2014	2015	2014
Long-term Liabilities	10 830	-	-	-
Provision for Rehabilitation of Landfill-sites	4 861 738	999 202	1 623 968	5 073 132
Trade and Other Payables	12 520 833	-	-	-
	<u>17 393 401</u>	<u>999 202</u>	<u>1 623 968</u>	<u>5 073 132</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
Long-term Liabilities	25 992	10 830	-	-
Provision for Rehabilitation of Landfill-sites	756 860	-	-	2 448 037
Trade and Other Payables	9 658 833	-	-	-
	<u>10 441 685</u>	<u>10 830</u>	<u>-</u>	<u>2 448 037</u>

48. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

48.1 Financial Assets		Classification		
Receivables from Exchange Transactions				
Electricity		Financial Instruments at amortised cost	1 349 641	1 045 385
Water		Financial Instruments at amortised cost	21 937 894	18 955 985
Refuse		Financial Instruments at amortised cost	2 770 368	2 289 560
Sewerage		Financial Instruments at amortised cost	2 991 120	2 488 168
Other Arrears		Financial Instruments at amortised cost	490 869	448 400
Unpaid Conditional Grants				
Unpaid Conditional Grants and Receipts		Financial Instruments at amortised cost	-	-
Cash and Cash Equivalents				
Bank Balances		Financial Instruments at amortised cost	224 717	12 851
Call Deposits		Financial Instruments at amortised cost	565 553	7 807 262
Total Financial Assets			30 330 162	33 047 611
SUMMARY OF FINANCIAL ASSETS				
Financial Instruments at amortised cost:				
Receivables from Exchange Transactions		Electricity	1 349 641	1 045 385
Receivables from Exchange Transactions		Water	21 937 894	18 955 985
Receivables from Exchange Transactions		Refuse	2 770 368	2 289 560
Receivables from Exchange Transactions		Sewerage	2 991 120	2 488 168
Receivables from Exchange Transactions		Other Arrears	490 869	448 400
Unpaid Conditional Grants and Receipts		Unpaid Conditional Grants and Receipts	-	-
Cash and Cash Equivalents		Bank Balances	224 717	12 851
Cash and Cash Equivalents		Call Deposits	565 553	7 807 262
Total Financial Assets			30 330 162	33 047 611
48.2 Financial Liabilities		Classification		
Long-term Liabilities				
Capitalised Lease Liability		Financial Instruments at amortised cost	10 544	33 993
Trade and Other Payables				
Trade Creditors		Financial Instruments at amortised cost	-	-
Payments received in advance		Financial Instruments at amortised cost	91 099	100 465
Retentions		Financial Instruments at amortised cost	924 857	886 349
Sundry Deposits		Financial Instruments at amortised cost	11 504 877	7 386 747
Unspent Conditional Grants and Receipts				
Unspent Conditional Grants and Receipts		Financial Instruments at amortised cost	4 008 038	9 319 657
Consumer Deposits				
Consumer Deposits		Financial Instruments at amortised cost	86 586	77 410
Total Financial Liabilities			16 626 000	17 804 622
SUMMARY OF FINANCIAL LIABILITIES				
Financial instruments at amortised cost:				
Long-term Liabilities		Capitalised Lease Liability	10 544	33 993
Trade and Other Payables		Payments received in advance	91 099	100 465
Trade and Other Payables		Retentions	924 857	886 349
Trade and Other Payables		Sundry Deposits	11 504 877	7 386 747
Consumer Deposits		Consumer Deposits	86 586	77 410
Unspent Conditional Grants and Receipts		Unspent Conditional Grants and Receipts	4 008 038	9 319 657
Total Financial Liabilities			16 626 000	17 804 622

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

49. STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Taxes

VAT Receivable	793 314	450 488
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Receivables from Non-Exchange Transactions

Rates	2 684 135	2 193 773
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Total Statutory Receivables

<u>3 477 449</u>	<u>2 644 261</u>
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50. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after the reporting date.

51. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

52. PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

53. CONTINGENT LIABILITY

Council have the following contingent liabilities at the end of the financial year 2013/14:

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

There is a claim against Khai-Ma Municipality by three individuals for the total amount of R240 000 plus legal costs. The defendants are claiming R80 000 respectively for damages suffered due to their wrongful arrest and malicious prosecution against the two Defendants jointly and severally. The Municipality's legal council is of the opinion that the municipality will successfully defend the case. The defendants intentionally dragging the case during the past financial year. The case is stale for more than 3 years.

The Municipality has the following claims against them in terms of the Fencing Act:

AMJ Roux	135 000	-
AL Roux	66 000	-
	<u>201 000</u>	<u>-</u>

54. RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

54.1 Related Party Transactions

	Travelling	Rates	Service Charges	Other	Outstanding Balance
Year ended 30 June 2015					
Councillors					
S Magerman	750	462	4 456	-	379
AJ Josop	150 195	-	4 158	-	486
LH van Rooi	49 148	-	6 291	-	558
S Basson	8 788	2 178	5 719	-	1 217
S April	11 966	198	8 567	-	606
PA van Heerden	16 285		5 576	-	8 051
HJ Raman	2 350	66	5 893	-	8 589
	<u>239 482</u>	<u>2 904</u>	<u>40 660</u>	<u>-</u>	<u>19 886</u>

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Municipal Manager and Section 57 Employees					
	14 291	5 610	8 424	-	2 122
PJ van der Merwe	35 257	-	-	-	-
KK Khumalo	38 508	5 346	7 523	-	653
EJ Vries	122 623	-	-	-	-
OJ Isaacs					
	210 679	10 956	15 947	-	2 775
 Year ended 30 June 2014					
Councillors					
	Travelling	Rates	Service Charges	Other	Outstanding Balance
S Magerman	5 177	420	8 687	-	312
AJ Josop	243 168	-	3 585	-	291
LH van Rooi	12 916	-	5 871	-	312
S Basson	1 218	1 980	7 681	-	834
S April	2 678	180	7 809	-	540
PA van Heerden	19 904	-	2 744	-	4 475
HJ Raman	26 340	60	5 096	-	3 131
	311 401	2 640	41 473	-	9 895
 Municipal Manager and Section 57 Employees					
PJ van der Merwe	10 497	5 100	7 777	-	1 073
KK Khumalo	62 720	-	-	-	-
EJ Vries	27 312	-	-	-	-
F Mashilo	13 073	-	-	-	-
	113 602	5 100	7 777	-	1 073

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

54.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

54.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 27 to the Annual Financial Statements.

54.4 Other related party information

The following members of Council and Key Management have interest in businesses during the year:

<u>Councillor/Staff Member</u>	<u>Entity</u>		
Councillor SM Magerman	Khai-Ma Catering	-	-
Councillor S April	Ver Wes Klein Myners	-	-
EJ Vries	Seirv Trading	-	-
K Khumalo	Mintlane Trading	-	-
	Kgalakgade Communications Technology and Stationers	-	-
	Mzansi Environmental and Property Development	-	-
		-	-
		-	-

55. FINANCIAL SUSTAINABILITY

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Kamiesberg communities resulted in a serious risk for Khai-Ma Municipality's going concern.

Unless sustainable job creation is achieved, Khai-Ma Municipality will not be able to function as a going concern without Government Grants and Subsidies.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

12. PROPERTY, PLANT AND EQUIPMENT

12.1 30 JUNE 2015

	Cost/Revaluation								Accumulated Depreciation and Impairment Losses						
	Opening Balance	Transfers	Correction of Error	Revaluation	Additions	Under Construction	Disposals/Impairment	Closing Balance	Opening Balance	Transfers	Correction of Error	Revaluation	Depreciation	Disposals/Impairment	Closing Balance
Infrastructure															
Roads, Pavements & Bridges	4 679 405	(272 846)	-	-	4 347 931	5 001 154	(29 650)	13 725 994	1 263 224	-	-	-	147 309	(20 160)	1 390 372
Electricity Transmission & Reticulation	7 473 417	183 035	-	-	935 767	699 926	(187 938)	9 104 208	1 628 492	-	-	-	144 778	(82 692)	1 690 577
Water Reticulation	21 797 268	423 321	-	-	692 060	-	(1 579)	22 911 070	6 131 798	-	-	-	431 217	(1 579)	6 561 437
Sewerage Reticulation	6 604 119	(812 169)	-	-	2 103 382	-	(104 001)	7 791 331	1 005 755	-	-	-	125 783	(86 116)	1 045 422
Landfill Sites	2 903 379	(1)	-	-	852 457	-	-	3 755 835	2 620 128	-	-	-	265 901	-	2 886 029
Other	618 788	83 675	-	-	418 368	-	-	1 120 831	74 904	-	-	-	48 051	-	122 955
	44 076 376	(394 984)	-	-	9 349 964	5 701 080	(323 168)	58 409 268	12 724 301	-	-	-	1 163 039	(190 547)	13 696 792
Community Assets															
Libraries	330 894	-	-	-	-	-	-	330 894	-	-	-	-	11 030	-	11 030
Recreational Facilities	3 809 146	-	-	-	655 220	-	-	4 464 366	1 147 186	-	-	-	275 049	-	1 422 235
Fire, Safety & Emergency	37 880	-	-	-	-	-	-	37 880	29 193	-	-	-	1 753	-	30 945
Clinics	9 875 588	-	-	-	-	-	-	9 875 588	572 693	-	-	-	330 660	-	903 352
	14 053 509	-	-	-	655 220	-	-	14 708 729	1 749 072	-	-	-	618 491	-	2 367 563
Other Assets															
General Vehicles	2 896 639	-	-	-	2 804 200	-	-	5 700 839	1 842 738	-	-	-	398 231	-	2 240 969
Plant & Equipment	1 130 898	-	-	-	24 296	-	(5 309)	1 149 885	412 184	-	-	-	101 890	(5 291)	508 783
Computers - Hardware/Equipment	655 225	-	-	-	21 971	-	-	677 196	229 868	-	-	-	124 615	-	354 483
Furniture and Other Office Equipment	870 599	-	-	-	187 614	-	(4 721)	1 053 492	304 326	-	-	-	72 330	(4 382)	372 274
Other Buildings	490 028	-	-	-	-	-	-	490 028	248 157	-	-	-	18 203	-	266 360
Other Land	46 513 920	347 096	-	-	-	-	-	46 861 016	-	-	-	-	-	-	-
Other	4 620	-	-	-	-	-	-	4 620	411	-	-	-	308	-	719
Leases	99 990	-	-	-	-	-	-	99 990	71 660	-	-	-	19 998	-	91 658
	52 661 919	347 096	-	-	3 038 081	-	(10 030)	56 037 067	3 109 343	-	-	-	735 576	(9 672)	3 835 246
Total	110 791 804	(47 888)	-	-	13 043 265	5 701 080	(333 197)	129 155 063	17 582 716	-	-	-	2 517 105	(200 220)	19 899 601

	Cost/Revaluation								Accumulated Depreciation and Impairment Losses							
	Opening Balance	Transfers	Correction of Error	Revaluation	Additions	Under Construction	Disposals/Impairment	Closing Balance	Opening Balance	Transfers	Correction of Error	Revaluation	Depreciation	Disposals/Impairment	Closing Balance	
Infrastructure																
Roads, Pavements & Bridges	3 401 361	-	-	-	-	1 278 045	-	4 679 405	1 134 136	-	-	-	129 087	-	1 263 224	
Electricity Transmission & Reticulation	4 339 524	-	1 867 085	-	570 201	696 608	-	7 473 417	1 313 430	-	224 050	-	91 012	-	1 628 492	
Water Reticulation	20 570 681	-	2 153	-	-	1 224 435	-	21 797 268	5 734 166	-	215	-	397 417	-	6 131 798	
Sewerage Reticulation	3 673 290	-	-	-	-	2 951 092	(20 263)	6 604 119	939 566	-	-	-	71 817	(5 627)	1 005 755	
Landfill Sites	2 903 379	-	-	-	-	-	-	2 903 379	2 056 193	-	-	-	14 163	549 772	2 620 128	
Other	618 788	-	-	-	-	-	-	618 788	43 587	-	-	-	31 317	-	74 904	
	35 507 021	-	1 869 237	-	570 201	6 150 179	(20 263)	44 076 376	11 221 079	-	224 265	-	734 812	544 145	12 724 301	
Community Assets																
Libraries	85 306	70 554	-	-	-	175 034	-	330 894	-	-	-	-	-	-	-	-
Recreational Facilities	6 337 635	130 000	-	550 000	-	-	-	(3 208 489)	3 809 146	984 566	-	-	-	162 620	-	1 147 186
Fire, Safety & Emergency	59 222	-	-	-	-	-	-	(21 342)	37 880	29 289	-	-	-	8 796	(8 892)	29 193
Clinics	976 546	8 899 043	-	-	-	-	-	-	9 875 588	217 410	-	-	-	355 283	-	572 693
	7 458 708	9 099 597	-	550 000	-	175 034	(3 229 831)	14 053 509	1 231 265	-	-	-	526 699	(8 892)	1 749 072	
Other Assets																
General Vehicles	2 898 568	-	-	-	-	-	(1 929)	2 896 639	1 617 414	-	-	-	227 253	(1 929)	1 842 738	
Plant & Equipment	1 203 954	-	-	-	-	18 764	-	(91 819)	1 130 898	390 165	-	-	-	113 535	(91 516)	412 184
Computers - Hardware/Equipment	499 347	-	-	-	-	178 120	-	(22 242)	655 225	158 599	-	-	-	83 800	(12 531)	229 868
Furniture and Other Office Equipment	894 337	-	(3 377)	-	64 704	-	(85 064)	870 599	319 258	-	-	-	66 174	(81 107)	304 326	
Other Buildings	6 871 961	(6 357 918)	-	-	-	-	(24 014)	490 028	225 828	(2 787)	-	-	-	25 117	-	248 157
Other Land	27 528 339	(2 725 878)	-	26 488 543	-	3 147 047	(7 924 132)	46 513 920	-	-	-	-	-	308	-	411
Other	4 620	-	-	-	-	-	-	4 620	103	-	-	-	99 998	-	71 660	
Leases	99 990	-	-	-	-	-	-	99 990	51 662	-	-	-	-	-	-	-
	40 001 115	(9 083 796)	(3 377)	26 488 543	261 588	3 147 047	(8 149 202)	52 661 919	2 763 028	(2 787)	-	-	536 186	(187 083)	3 109 343	
Total	82 966 844	15 801	1 865 861	27 038 543	831 790	9 472 260	(11 399 295)	110 791 804	15 215 371	(2 787)	224 265	-	1 797 697	348 169	17 582 716	

The movements in cost and accumulated depreciation for 30 June 2014 have been restated, to ensure that the movements agrees with transactions in the asset register.

Carrying Value
12 335 622
7 413 630
16 349 633
6 745 909
869 806
997 875
<u>44 712 476</u>
319 865
3 042 131
6 935
8 972 236
<u>12 341 166</u>
3 459 869
641 102
322 713
681 218
223 668
46 861 016
3 901
8 332
<u>52 201 821</u>
<u>109 255 463</u>

Carrying Value
3 416 182
5 844 925
15 665 470
5 598 363
283 251
543 884
<u>31 352 075</u>
330 894
2 661 959
8 688
9 302 895
<u>12 304 437</u>
1 053 900
718 715
425 357
566 274
241 871
46 513 920
4 209
28 330
<u>49 552 576</u>
<u>93 209 088</u>

APPENDIX A
KHAI-MA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2014	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2015
LEASE LIABILITY								
Office Equipment	Various	Various	30/11/2016	33 993	-	-	(23 450)	10 544
Total Lease Liabilities				33 993	-	-	(23 450)	10 544
TOTAL EXTERNAL LOANS				33 993	-	-	(23 450)	10 544

APPENDIX B
KHAI-MA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
217 701	(3 291 687)	(3 073 985)	Executive and council	254 895	(3 951 922)	(3 697 027)
19 795 838	(4 567 895)	15 227 943	Budget and treasury office	19 579 298	(5 844 011)	13 735 287
755 027	(11 154 210)	(10 399 183)	Corporate Services	1 052 031	(5 139 205)	(4 087 175)
-	(1 051 678)	(1 051 678)	Planning and development	-	(848 293)	(848 293)
-	-	-	Health	-	-	-
3 735 691	(1 508 647)	2 227 044	Community and social services	3 981 880	(2 233 603)	1 748 277
8 679 680	(8 679 680)	-	Housing	5 873 854	(6 113 092)	(239 238)
-	(27 764)	(27 764)	Public safety	-	(12 895)	(12 895)
2 632	(4 246 864)	(4 244 232)	Sport and Recreation	721 099	(504 200)	216 900
-	-	-	Environmental Protection	-	-	-
748 702	(3 078 736)	(2 330 034)	Waste Management	841 104	(2 844 858)	(2 003 754)
3 918 953	(2 887 145)	1 031 808	Waste Water Management	3 213 059	(2 774 615)	438 445
2 933 033	(1 530 064)	1 402 969	Road Transport	11 320 971	(902 081)	10 418 890
9 399 518	(14 583 992)	(5 184 473)	Water	7 041 461	(11 069 618)	(4 028 157)
7 090 679	(6 942 994)	147 685	Electricity	10 450 317	(10 529 499)	(79 182)
-	(197 590)	(197 590)	Other	-	(206 089)	(206 089)
57 277 457	(63 748 944)	(6 471 488)	Sub Total	64 329 969	(52 973 981)	11 355 988
-	-	-	Less Inter-Departmental Charges	-	-	-
57 277 457	(63 748 944)	(6 471 488)	Total	64 329 969	(52 973 981)	11 355 988

APPENDIX C
KHAI-MA MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2015
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation						Accumulated Depreciation					Carrying Value
	Opening Balance	Correction of Error	Additions	Under Construction	Disposals/Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals/Impairment	Closing Balance	
Executive & Council	2 142 081	-	228 790	-	(4 775)	2 366 095	1 007 830	-	280 204	(4 418)	1 283 616	1 082 479
Budget & Treasury Office	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Services	44 069 781	-	-	-	(30 000)	44 039 781	734 727	-	1 336	-	736 063	43 303 719
Planning & Development	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	15 544 824	-	2 804 200	-	-	18 349 024	2 909 551	-	862 092	-	3 771 643	14 577 381
Housing	-	-	1 224 350	-	-	1 224 350	-	-	-	-	-	1 224 350
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-
Sport & Recreation	6 539 026	-	666 552	-	-	7 205 578	1 163 407	(52 227)	282 428	-	1 393 608	5 811 970
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	4 258 139	(1 096 758)	852 457	-	-	4 013 838	2 706 669	-	282 973	-	2 989 642	1 024 196
Waste Water Management	6 816 426	-	2 103 382	-	(104 001)	8 815 807	1 031 899	-	137 692	(86 116)	1 083 475	7 732 332
Road Transport	4 692 379	-	9 767 452	-	(34 904)	14 424 927	1 274 035	-	165 241	(25 415)	1 413 861	13 011 065
Water	21 875 107	2 153	692 060	-	(1 579)	22 567 741	6 169 351	215	437 501	(1 579)	6 605 489	15 962 252
Electricity	5 613 632	1 863 708	1 635 693	-	(235 825)	8 877 208	1 410 347	224 050	145 228	(82 692)	1 696 932	7 180 276
	111 551 396	769 103	19 974 934	-	(411 084)	131 884 349	18 407 815	172 039	2 594 695	(200 220)	20 974 330	110 910 019

APPENDIX D
KHAI-MA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
MUNICIPAL VOTES CLASSIFICATIONS

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
217 701	(385 413) (2 906 274)	(385 413) (2 688 572)	Municipal Manager Municipal Manager Council and General	92 521 162 373	(978 424) (2 973 498)	(885 903) (2 811 125)
2 887 526 3 774 313	(234 311) (4 120 768)	2 653 215 (346 455)	Finance Assessment Rates Chief Financial Officer Internal Auditor Other Subsidies	3 091 541 2 666 757	(1 155 761) (4 328 850)	1 935 779 (1 662 093)
13 134 000 353 199 165 365	(313 868) (6 163 231) (4 413)	12 820 132 (5 810 032) 160 951	Property Services Vehicle Licensing and Testing	13 821 000 175 305 190 017	(359 400) (2 691) (19 914)	13 461 600 172 614 170 103
13 000 401 828	(147 352) (4 889 927) (27 764)	(134 352) (4 488 099) (27 764)	Corporate Services Cemetery Corporate Services Disaster Management Health	- 876 726	(200 608) (5 136 515) (12 895)	(200 608) (4 259 789) (12 895)
509 281 3 147 047 66 363	(843 071) (715 193) 242 064	(333 790) 2 431 853 308 427	Library Municipal and Public Buildings Public Works Traffic	784 872 220 3 196 788	(993 112) (598 450) (392 588)	(208 240) (598 230) 2 804 200
7 090 679 2 632 748 702 3 918 953 2 767 668 - 9 399 518	(6 942 994) (4 246 864) (3 078 736) (2 887 145) (1 525 650) (45 093) (14 583 992)	147 685 (4 244 232) (2 330 034) 1 031 808 1 242 018 (45 093) (5 184 473)	Infrastructure Development Electricity Parks and Recreation Refuse Sewerage Roads Television Water	10 450 317 721 099 841 104 3 213 059 11 130 954 - 7 041 461	(10 529 499) (504 200) (2 844 858) (2 774 615) (882 166) (48 846) (11 069 618)	(79 182) 216 900 (2 003 754) 438 445 10 248 787 (48 846) (4 028 157)
8 679 680 - - - 57 277 457	(8 679 680) (1 051 678) (197 590) - (63 748 944)	- (1 051 678) (197 590) - (6 471 488)	Economic Development Housing IDP/LED Tourism Town Planning	5 873 854	(6 113 092) (848 293) (206 089)	(239 238) (848 293) (206 089)
			Sub Total	64 329 969	(52 973 981)	11 355 988
			Less Inter-Departmental Charges	-	-	-
57 277 457	(63 748 944)	(6 471 488)	Total	64 329 969	(52 973 981)	11 355 988

APPENDIX E
KHAI-MA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2014	Correction of Error	Restated Balance 30 June 2014	Contributions during the year	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2015	Unspent 30 June 2015 (Creditor)	Unpaid 30 June 2015 (Debtor)
National Government Grants											
Equitable Share	-	-	-	13 821 000	-	-	(13 821 000)	-	-	-	-
Finance Management Grant	(220 822)	220 822	-	1 800 000	-	-	(1 768 365)	(31 635)	(0)	-	(0)
Municipal System Improvement Grant	475 204	-	475 204	934 000	-	(475 000)	(209 513)	(61 376)	663 315	663 315	-
Municipal Infrastructure Grant	5 021 293	-	5 021 293	8 376 000	-	-	(1 160 155)	(9 160 787)	3 076 352	3 076 352	-
Integrated National Electrification Grant	797 689	-	797 689	-	-	-	-	(797 689)	-	-	-
Energy Efficiency and Demand Side Management	2 757 230	-	2 757 230	-	-	-	(1 696 907)	(1 060 323)	-	-	-
Accelerated Community Infrastructure Programme	-	-	-	3 792 888	-	-	-	(3 792 888)	-	-	-
Total National Government Grants	8 830 594	220 822	9 051 416	28 723 888	-	(475 000)	(18 655 940)	(14 904 697)	3 739 667	3 739 667	(0)
Provincial Government Grants											
Housing	1 241 998	(1 241 998)	-	-	-	-	-	-	-	-	-
COGHTA - Development of 198 sites	(194 368)	194 368	-	-	-	-	-	-	-	-	-
Library	37 872	-	37 872	747 000	-	-	(784 872)	-	-	-	-
Provincial Infrastructure Grant	6 750	-	6 750	-	-	-	-	-	6 750	6 750	-
GCIS	-	-	-	-	-	-	-	-	-	-	-
Expanded Public Works Programme	65 600	-	65 600	1 000 000	-	(65 000)	(255 683)	(666 552)	78 366	78 366	-
Total Provincial Government Grants	1 157 853	(1 047 630)	110 222	1 747 000	-	(65 000)	(1 040 555)	(666 552)	85 116	85 116	-
District Municipality											
Namakwa DM	94 234	-	94 234	-	-	-	-	-	94 234	94 234	-
Total District Municipality Grants	94 234	-	94 234	-	-	-	-	-	94 234	94 234	-
Other Grant Providers											
LG SETA	43 121	-	43 121	25 236	-	-	-	-	68 357	68 357	-
Vedanta Black Mountain	20 664	-	20 664	-	-	-	-	-	20 664	20 664	-
Total Other Grant Providers	63 785	-	63 785	25 236	-	-	-	-	89 021	89 021	-
Total Grants	10 146 466	(826 809)	9 319 657	30 496 123	-	(540 000)	(19 696 494)	(15 571 249)	4 008 038	4 008 038	(0)

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.